FORCES MINING AND UNDERMINING CHINA

ROWLAND R. GIBSON

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BY

ROWLAND R. GIBSON

A Military Interpreter in the Chinese Language, and formerly Civilian Magistrate under the Chinese Government

LONDON: ANDREW MELROSE, LTD.
3 YORK STREET, COVENT GARDEN, W.C.

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A Military Interpreter in the Chinese Language, and formerly Chinese Inspector under the Transvaal Government

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THIS BOOK IS DEDICATED TO

A VERY SMALL DOT

IN

A VERY BIG UNIVERSE

PREFACE

In writing this book I have tried to be fair, and, above all things, not to allow myself to be carried away by national or personal sentiment.

At the same time, the writing of unbiassed history is rendered doubly difficult when that history is fizzling hot, just out of the oven, and when the chronicler is looking at the picture with his nose right up against the glass.

Nevertheless, I believe this book to contain plain, unvarnished facts. Most of these facts are from my personal observation, but where this has not been possible I have quoted the observations of such reliable authorities as Mr. Thomas T. Read, Mr. Percy Kent, or the "Far Eastern Review."

Curiously enough, as I sit here correcting

proof-sheets, a copy of the "Spectator" lies open upon my desk, and without stretching forth my hand to reach it with a view to careful perusal I can see a portion of a letter published in that journal which points to the need of some such book as this.

That letter is headed FOREIGN CLAIMS AGAINST CHINA, and it is over the signatures of the Chairman and Secretary of the Anglo-Chinese Friendship Bureau.

It refers to claims for losses sustained by foreigners during the Revolution of 1911, and the portion of it I can see from afar reads as follows:

"It is perfectly clear that the only explanation of the attitude adopted by the Powers is a determination to exploit to the uttermost China's admittedly embarrassed financial position. It is satisfactory to learn from a trustworthy correspondent that the British claim has hitherto excluded all indirect losses, and therefore amounts to only £150,000." (He adds, however, that should the other Powers insist on including indirect losses, it is understood that Great Britain will follow suit, thereby increasing the amount at present claimed by upwards of £1,000,000.) "We understand that America also has attempted to

make the fairest assessment possible of her claims. . . ."

The tone of this letter speaks for itself, but it emphasizes the necessity for the two greatest commercial peoples co-operating to extend charity to the distressed, for the two great English-speaking nations to undertake the important work which, as I show in the following pages, lies before them.

ROWLAND R. GIBSON.

LONDON,
February 16, 1914.

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those of the criminal who died by one thousand cuts. In place of these things we faintly hear through the echoing crash of the Ta Ching Dynasty's fall the distant sound of a factory-whistle calling its operatives to work. The contrast is sudden indeed. The man-power of the rickshaw coolie will soon be giving way to the horse-power of the motor. A network of steel and sleepers is about to be thrown over the land. No longer shall we see the still tropic stars except through the smoke of a blast-furnace chimney, and even the beautiful bamboo-groves will be shut within a cage of telegraph-wires. Just as the London cab-horse has been replaced by the "taxi," so the camel of the Gobi desert will soon be replaced by the locomotive.

Property which hitherto has been protected in China by the moat and city-wall will soon be protected by the policeman, by the active instead of the passive force. The catalyst which rendered these changes in China's chemistry possible was the Revolution of 1911–12. It made these changes possible, but it is the river of foreign gold now beginning to flow into China's budding industries which will bring these changes to life.

About that river of gold much remains to be said. It will concern the subject-matter of this book a very great deal, as no doubt the title already suggests, but like all rivers in

China it is capable of bringing down dirt and silt from without. It is capable of changing its course. And, last but not least, if not carefully attended to, it is capable of overflowing its banks and becoming a curse instead of a blessing. Foreign gold might as easily become one of the forces to undermine China as it has been to undermine that nation's belief in its ability to exclude the outer world by building a big wall. To open up her distant provinces by railways China requires money. She has tried a hundred times to secure this power by inviting her own people to invest in Government undertakings. In not one single case have her efforts met with success.

To open up her mines she requires money, but this money can only come from abroad. Hitherto her minerals have been very little mined, though her prestige and her national character have been undermined to a far greater extent than they ought to have been. As a nation China has been undermined by an effete dynasty, by thieving palace eunuchs, by corrupt officials, by acquisitive foreigners, and by railway or mining companies. She has in turn been bullied and duped by the strangers she sought to bully and dupe. She has seen three of her fairest provinces fought for and sequestrated by Russia and Japan. A fourth, Mongolia, seems to be

following along the same path. She has seen her debts gradually bank up until they now total a colossal sum which will soon be trebled, and yet her natural resources have been practically unmined.

A variety of causes has contributed to this result. Some have a purely Chinese origin and spring from ignorant superstition or from ancestor-worship.

His religious or superstitious fears have frequently made John Chinaman unwilling to disturb a grave or to liberate the hidden spirits of the earth. Others are due to natural distrust which always bars the way to intercourse between alien races knowing very little of one another, and more particularly does this great gulf lie between the people of East and West. A host of other causes such as lack of transportation facilities, political disturbances, obstinate officials, inelastic regulations, and so on might be cited, but we are going to consider the forces which are mining China rather than the reasons which have left her so little mined.

These forces include loans, railways, labour, and one or two big coal-mining companies. Gold, silver, iron, copper, oil, tin, and lead have been obtained in such small quantities that they do not lend themselves here to serious mining consideration. They have chiefly been worked by primitive native

methods which do not produce large outputs and which have not yet attained the dimensions of a force. Coal-mining alone can be said to have reached that pitch.

As regards the forces undermining China we shall have to deal with such dissimilar quantities as diplomats, human nature, Chinese officialdom, and many minor ingredients. Out of these ingredients the writer hopes to serve up a readable book. It is not going to be a highly technical, highly scientific treatise on coal, and doubtless it may have its imperfections, but if the British public would understand what is likely to happen in China on a big scale they must follow the evolution of the leading Chinese coal-mining power through its past.

That story will serve as a map. On it will be found three-fourths of China's modern history not only where coal-mining is concerned, but also where intercourse with foreigners is concerned.

Mr. Percy Kent in his excellent book on Chinese railway enterprise justly claimed that the history of modern politics in China is reflected in the history of her railway developments. His claim is perfectly correct, but the present writer claims more. He claims to show how industrial progress will overtake the country collectively in exactly the same way it has overtaken a private coal-

mining company, despite official obstruction and inherent Chinese weaknesses. Though to-day the whole world is pessimistic about China's future outlook, there is truly no need for pessimism to wield such sway. The whole world's opinion is really only the opinion of a few. Those few see bankruptcy staring China in the face, and they wring their hands accordingly. They are perfectly right to prophesy bankruptcy. But they are perfectly wrong to wring their hands. They ought to try to see through the bankruptcy to something much grander beyond. Can they not pierce the veil of revolution and evolution which hangs before their eyes? Can they not see flourishing industries and mining activities beyond?

Already these mining activities have played not a little part in China's incipient regeneration. But the part they are going to play will be a bigger part still. Their influence will affect China internally as well as externally. Every indentured coolie that shall leave her shores for Borneo or the Belgian Congo will help to circulate ideas as he will help to circulate money. Every modern shaft that shall be blasted into her coal-beds will cause China's rising sun to fling out one more shaft of enlightenment to pierce the mists of prejudice. Old clouds of obstruction are slowly rolling away as we stand watching

this sunrise. We watch it with pleasure because it is grand. As its rosy tints mount upwards to the skies, we recognize it as something more than a new political dawn. We recognize it as one of God's pictures.

CHAPTER II

TO THE BUSINESS MAN AT HOME

WHILST the rim of China's industrial sun is rising above the horizon, we remark that the "Treaty-port" stage has already gone by. By this term we mean the period when great fortunes were only built up by Hong Kong and Shanghai firms through trading in opium or manufactured articles or tea or silk. At this period Chinese intercourse with foreign traders was chiefly confined to the British, and the reason was the almost exclusive monopoly of the China coast markets enjoyed by the British mercantile marine.

It is only since 1858 that this period can be said to date. After the treaty of Tientsin the foreigner attained a status in China he had never been allowed to possess before. His position had been acquired by force, but that made it none the less real, and from that date onwards until the Revolution of 1911–12 Chino-foreign relations have been marked by one long struggle. On the part of England nd America trade, not territory, has been

the objective in forcing an entrance to China's closed doors. On the part of Russia, France, and Germany territory plus trade has been the objective. But China has consistently tried to exclude the foreigner through all these many years, whether he frankly came to steal her provinces, or whether her officials imagined he wished to acquire some other form of wealth which the Chinese claimed for themselves.

Owing to this attitude, national industry has been retarded and China's development has been sadly kept back.

Certain Anglo-Chinese nabob families amassed great wealth during the early days of this bygone "Treaty-port" stage, and perhaps the best known name amongst them is that of Jardine. The name still represents great power up and down the China coast. Younger members of the family still occupy prominent positions in the "Princely House," but the days of Anglo-Chinese nabobism are over. Since 1894 a new era has sprung up.

A period of competition instead of monopoly has appeared, and this competition for Chinese trade comes no longer from brothers of the British race, but from fellow-creatures of almost every nationality under the sun.

It is only since the Chino-Japanese War that this new competitive period can be said to date. Evidence of it can be found in almost every modern book dealing with Chinese

affairs. It has been an international struggle to get territory and money by hook or by crook. In some cases both territory and money have been sought through a port like Kiaochao. In other cases an indemnity has been demanded at a time of crisis like the Boxer outbreak. France and Germany have shown that a missionary's murder is sufficient excuse for a Christian government to begin filibustering. Russia and Japan have sometimes moved onwards without even that excuse.

At times these vulture-like nations have actually quarrelled over the Chinese carcass before life was extinct. *Vide* Russia, France, and Germany driving Japan out of Port Arthur after she had seized it under title of a right of conquest. But since those days international ideas about China's dismemberment have undergone something of a change. The partition of China is no longer talked about. Foreign nations are now preparing to conquer by money rather than by the sword, and a very interesting period has just dawned.

So long as the old Empress Dowager sat upon the Dragon throne there could be no hope of really putting the torch to antiquated Chinese methods. So long as the Big Loan of 1913 remained in suspense there could be no hope of reconstructing China even after

the Manchu Dynasty had been swept away. But on April 27th, 1913, everything began to assume a very different complexion. The period of conquest by foreign money was begun, and in course of time we may hope to see a prosperous China under joint Chino-foreign management. But we must not race along too fast. We must go back to September 1912, when the Crisp Loan negotiations created such a stir both in England and in Europe generally. Here was a strange situation: financiers divided against themselves and the British Minister at Peking ordering Mr. Crisp off the field. No wonder big business men looked up from their ledgers and scratched their heads. No wonder China came once again into the public eye.

"Here was a strange situation!" Strange it undoubtedly was; but how could Englishmen in London or in Manchester know that China was "undermined"? They doubtless were far too busy to realize that any fundamental differences existed between Peking and an English city beyond the possible sight of an occasional pig-tail. But here was something new, and this new situation set them thinking.

Their thoughts gave rein to the imagination which business so frequently curbs. They saw new markets. They saw letters containing f.o.b. estimates for machinery or piece-

goods or cutlery being sent off on their long journey across the Trans-Siberian Railway. They saw Chinese letters coming back a little while later to accept their quotations. They saw busy ships being loaded with their merchandise, and bills of exchange coming in by dozens to pay for the articles sent.

In a word, the sunrise, the same sunrise which we have been watching, shed the full brilliancy of its light upon their thoughts. The interest of commercial England was stimulated.

The interest of engineering England took definite form and shape. The British Engineers' Association came together. They called meetings at Sheffield and at other places. They got into touch with an Englishman, Captain Fitz Hugh, who had spent some little time in North China; they made him their first Chief Commissioner; and they sent him back to Peking with instructions to do the work which British Government officials could never be expected to do efficiently owing to their exaggerated fear of offending other interests. In fact these keen business-like engineers had just a slight idea that China was "undermined," and they wanted to find out why. They wanted a picture of things as they are in China, not as they were a couple of years ago.

Their action was interesting, because it

betokened a newly-interested uneasiness, if it was not a new uneasiness. It could not have been a new uneasiness, because some business men had already shown they were uneasy about the care of their interests by officials. In 1910 we find evidence of this among the leading British commercial bodies which deplored the sacrifice of British interests to diplomatic adventure. This sentiment was particularly brought out by the China Association's action in filing a protest with the Foreign Office against the sacrifice of certain British contractors' interests by the continued deference of the British Government to the wishes of Russia and Japan upon the subject of constructing the Chinchow–Aigun Railway. It was plain enough to everybody why Russia and Japan objected to this railway being built.

These countries looked upon Mongolia and Manchuria as their own particular prizes. But the Association claimed that this line was a purely Chinese undertaking, and did not conflict with the Anglo-Russian agreement. Copies of their protest were sent to twenty British Chambers of Commerce, with the result that several of these gave it their unqualified support. After all, it is extremely difficult for a government official to see things from a business man's point of view. In Peking particularly there is less likelihood

of due care being given to trade than anywhere. Most officials are rather "gilded" and "heaven-born" in their ideas, and when they form the entire community of any place this idea of their singular importance crystallizes.

Besides this, Peking is a regular cock-pit for diplomacy. Every foreign minister is busy trying to get this or that fellow-countryman into that or this billet. China is simply cursed with foreign employees.

If that nation is given an inch here, this nation wants an ell there. Englishmen have been put at the head of the Customs and the Salt Gabelle; Danes manage the telephones; the French have the post-office; the Russians something else.

As regards advisers, we find Dr. Morrison, Colonel Brissaud des Maillets, Dr. Ariga, and a host of others. These gentlemen are, doubtless, excellent men in every respect, but each of their posts is a very highly-paid one, and each of their posts becomes a battle-ground for diplomats, whether it be vacant or filled. If it be filled some foreign minister will try to empty it. If it be empty all foreign ministers will try to fill it.

This state of affairs has the effect of preventing commercial matters receiving attention on their purely commercial merits. Unless they are tacked on to some political con-

cession to be filched from China, diplomacy seems to let them slide. This may be either because diplomats do not understand commerce, or because they look upon commerce as a means to diplomacy, rather than diplomacy as a means to commerce. This state of affairs also helps to undermine China.

If a certain nation secures the appointment of one of its sons to advise the Chinese Government, some other nation instantly demands the appointment of two more. Although China is weak financially, she hardly dare refuse these demands. At the same time she can hardly afford to spend so much money on advisers' salaries when their advice is worth so little to her. In most cases these men are appointed not because China needs them, but because European nations tell her she needs them.

Look, if you will, at the list of instructors to the Chinese army. You will see it is chiefly a list of French names. There is not one single English one amongst them. Of course England has no complaint on that score, for her sons fill so many other Chinese appointments. But it is instructive to know that the Chinese military instructorships have been practically ear-marked as belonging to France.

Formerly China employed Germans and Japanese almost exclusively, but in 1912

Yuan Shih Kai appointed a Frenchman, Colonel Brissaud des Maillets, to be his military adviser. He continued, of course, to employ the Japanese Colonel Banzai who had been attached to him while in office for some fifteen years past. He also continued to employ, but in better positions, two German officers—Bleihofer and Dinckelman. He has since approved of the Minister of War appointing another French officer and one or two French aviation instructors.

Quite recently a German, who had been fifteen years in the service of the Chinese, and whose contract had expired, asked for re-employment. His name was Captain Fuchs. He was a survey expert, who had invented a method of rapid survey, which had been adopted by the German army, and there were special reasons why he should have been appointed, but the French Legation immediately demanded that three other French men should be given posts if he were. Accordingly neither Fuchs nor the Frenchmen were accepted.

There is no Englishman employed in the Chinese army, although it is not from want of applicants. Probably more than thirty English officers—even of such high rank as Lieutenant-General and Major-General and several Colonels, some with long experience of China—have applied for appointments, but

because of their nationality they have not been successful.

There was a suggestion, which may or may not reach the stage of fact, that China's army should be re-organized by Germans. The idea serves to show the close co-operation between the German Government and private enterprise, and it demands careful watching for that reason alone. According to the Press announcements a scheme was semi-arranged to put a German Lieutenant-General with a staff of six officers in Peking. Under their orders were to be six hundred other German officers scattered throughout the various provinces, instructing Chinese troops. The scheme was reported to be going to cost 4,000,000 marks, and the firm of Krupp was said to be furnishing one-quarter of this sum. Great opposition would necessarily be encountered before such a scheme could be brought about, but money judiciously employed can do many things in China.

A comprehensive instruction system of this sort might easily do more than train Chinese recruits. It might give the German Government a great deal more Chinese influence than British business firms would quite relish. But, as mentioned above, this scheme will probably not crystallize, so there is little need for anxiety at present.

These things show how China's money is

squabbled for by rival nations which talk loudly of serving her. They show, in fact, that she is partly undermined by foreigners. When we reach the chapter upon the "Big Loan," we shall see to what extent foreigners are responsible for this.

If business men in England had some suspicion of these Peking affairs, it is not surprising that they bestirred themselves to look after their own interests. The engineers told their new Chief Commissioner to report on local conditions, to make recommendations, to get into touch with Chinese officials, to point out any industrial opportunities which might be offering, and to prevent British manufacturers, unacquainted with China, from making the mistakes which ignorance of that country would otherwise bring upon their attempts to capture new Chinese markets.

If China was being undermined either by foreigners, or by corrupt practices, or by semi-political concessions being extorted through force, these gentlemen wished to know the facts. They did not require to be told how many millions of cigarettes passed the Customs last year, or how many tons of beans were exported from Dalny or from Newchwang.

In any geographical reference-book the main facts about imports and exports can be looked out. Everybody knows that beans, hides, lumber, and skins are exported from the

north, while tea and silk are shipped from Southern and Central China. What everybody does not know is why such and such a British firm, after tendering for some big contract, sees that contract given to Austrian or German rivals, when those rivals have quoted a higher figure for the undertaking.

The British manufacturer is perplexed and annoyed when such amazing things happen. He cannot picture to himself conditions he has never seen, and probably he puts it all down to government subsidies enjoyed by his continental rival.

In point of fact government support, although in some cases it exists, is not the only cause of contracts going past Great Britain, nor is it indeed the main cause. Everybody who has studied the question knows there is much to be said both for and against government subsidizing, but perhaps when it is a question of opening up a country like China and securing great initial advantages, a government subsidy is a very useful thing. No, the main cause is that continental rivals are less scrupulous in what they promise and more careful to give bribes.

This may be a blunt and ugly thing to say, but because bribery is condemned in England, it will not alter conditions as they exist and have existed for centuries in China. What Walpole said about the politicians of his time

might be said with even greater truth of John Chinaman : " Every man has his price," and in China nothing will be done unless that price is paid. The continental manufacturer pays his bribe and offers his tender. The British manufacturer offers his tender but forgets his bribe. John Chinaman looks at the bribe and not at the tender. But he only gives contracts to men who give bribes. That habit is just as much part of his nature as was the baker's in " The Hunting of the Snark," only to cook bride-cake, or the butcher's only to kill beavers.

A distinguished English globe-trotter with whom the writer was discussing this subject of bribes one day made the remark, " Ah, yes, but all that will soon be changed. We must educate the Chinese up to proper methods." Of course the writer smiled. The speaker had proclaimed his ignorance of the Chinese nation in just those few words. No nation on earth is so tenacious of its customs as the Chinese, and nothing short of half a century's training on the strictest lines can alter them in this respect. The reason is perfectly obvious. The Chinese are not a military people—they are a mercantile people born and bred. With them trading instincts are absolutely ingrained, and every transaction which passes through their hands must leave its trace of personal profit lying on their hands.

They never stop to ask themselves whether somebody else's code of morals approves or disapproves of this particular trait in their character. They simply say to themselves, "Oh, well, if there is no profit in this little game, we will not play at this little game," and there the matter ends until the wheels are greased. This point requires no amplification. It is so very obvious that everybody in England must have heard of it, though they sometimes forget it. What Englishmen should remember is that they must consider the Chinese world as it is, not as it ought to be.

As regards the other point about continental rivals promising more than they can perform. In any other country in the world this would be bad business, and would lead to financial loss, but in China it pays remarkably well. It enables gentlemen from Brussels or Paris to snatch contracts out of British hands.

The reason is easy to follow: it is due to the Chinaman's peculiar sensitiveness to "saving his face." If a Chinese Minister of State can appear to have made a good bargain, he need anticipate no opposition from the country or from the National Assembly. He even seems willing to deceive himself.

Once a contract or concession is obtained it is simply a question of getting its conditions altered. This rests upon diplomatic pressure

being brought to bear upon the Peking Government. It is wiser in China to get some sort of concession, and then to have it altered afterwards, than not to get it, and see it given to somebody else. At any rate, most continental agents at Peking believe in business of this nature. It may be simpler for them to exert the necessary diplomatic pressure which turns an unprofitable contract into a profitable one. A British official might not care to exert pressure under such circumstances unless pressure were first put upon himself.

A splendid example of this sort of thing is offered by the Kinhan Railway. Before it was built an American syndicate sought the concession to build it. They were, however, utterly underbidden by a Belgian and French combination which was helped by the Russian Bank. Of course the terms offered were found impossible after the concession had been obtained, and representations had to be made by the Belgian Minister, backed up by Russia and France, to secure modified terms. The diplomatic pressure may have been assisted by a little "palm-greasing." That we do not know. But it was quite successful, and the line was eventually built. In this case the contract was lost to America. In other cases contracts of a similar nature have gone past Great Britain.

On the other hand, a well-known chief

engineer of a Chinese Government railway once informed the writer that he never could rely upon British manufacturers for delivery of locomotives when he ordered them in England. In consequence he usually placed half his orders in America, where the engines were not so good, but whence he could get them quickly. He added, "Before long I shall be sending all my orders to America, because I cannot wait upon British manufacturers."

Doubtless British manufacturers are not to be blamed if their hands are too full of work at home, at any given moment, to undertake big contracts in so far-off a field as China. But is it not possible for some sort of co-operation to exist between great British firms? When, for instance, they are not actually underbidding one another for a contract, is it not possible for one great firm to pass an order, or part of an order, on to some other British firm rather than see the order, together with all future orders from the same source, going to Germany or Belgium? To a small extent this is done, but can the idea not assume a national importance? Surely such a system would not entail a great expenditure of money? It would only require an association of all the firms engaged in a certain trade with a central office and a small staff. Any firm which received an

order beyond its ability to fulfil would immediately hand on the portion beyond its powers, to be undertaken by some other firm. The business world has reached a point far beyond monopoly. It has now become a world of rings, trusts, and competitions. In such a world nothing can be done without strenuous organization.

During the last half century the only two nations which have sprung from obscurity into first-class Powers have been Germany and Japan. In both cases they owe their rise to a high organization. This does not mean an organization solely for their armies in the field. It means the encouragement of a very close relationship between the central government and national activity.

In each case they first organized their forces for a war of arms. They prepared themselves for that object, organized every detail, secured information about their opponents, worked out their plans of campaign beforehand, and then struck. In both cases they were successful and secured a better "social standing" amongst the nations. The next phase was to be a war of commerce, and each nation forthwith began concentrating all its national energies upon the object in view. The process was similar in every respect to the war of arms, except that instead of Army Corps I., Army Corps II., and so on

we see them substituting banks, railways, and shipping companies. The central government and the national plan of campaign remain constant quantities.

Now what is the result? The commercial armies of England and America are being beaten in battle after battle just as the French and the Russians were beaten at Sedan and Liaoyang. It is not a question of free trade or tariff reform—it is a question of organization pure and simple.

Where the Russians lost in men, material, and prestige, America is losing in drills, jeans, and sheetings. In this case the battle-ground is Manchuria just the same. *Vide* the following table of import statistics, which have been copied out of "The Far Eastern Review":

	Drills.		Jeans.		Sheetings.	
	1909.	1910.	1909.	1910.	1909.	1910.
American .	319,428	186,698	98,111	3,968	706,735	378,121
Japanese .	114,814	252,342	..	..	261,743	694,574
British .	12,359	6,750	278,258	323,246	69,953	15,231

The same thing is happening in Europe, in India, and in South America, where the commercial armies of Great Britain and Germany are chiefly fighting. The end, of course, will be just the same whether the British Government chooses to recognize it or not. Organization alone can give the victory. If

the British Government can bring about united action between its financial, transporting, and commercial forces, then and then only will Great Britain win.

Hitherto trade relations of every kind between Chinese firms and foreign firms oversea have had to be carried on through a foreign middleman or trading house. This is due to a twofold reason: it would take a long time for a sound mutual confidence to be established when the Chinese merchant only knows his Chinese conditions, and the foreign concern knows of no other environment except its own. In addition to this, there are extremely few Chinese even now who could properly cope with all the correspondence which passes between business houses engaged in important transactions with one another.

For these two reasons alone, business of any sort between Great Britain and China will have to be carried on through an agent for many years to come. The Chinese do not entirely like it. They feel it burdensome and oppressive, especially at the Treaty ports, but at present there is no alternative. The foreign agent knows both European and Chinese conditions. He fulfils orders without demur, and above all he keeps in very close touch with exchange. But it must not be supposed that the foreign middleman is always immaculate. He is sometimes very far

from it. His idea very frequently is to get rich quickly and squeeze as much money out of John Chinaman as he can. The foreign middleman often contributes more than his share towards China's undermining.

If John Chinaman wants an electrical generating plant for his coal-mines, or a weigh-bridge, or some boilers, he can only procure these things from abroad, and he has to employ the middleman to buy them for him. What is the result? The middleman goes to the British or continental manufacturer and gets a very good commission from both buyer and seller alike. In his own interests he buys the most expensive plant, regardless of requirements, when a very much cheaper plant would often suit better. In many cases the European agent knows full well that the machinery will never be used by its Chinese purchaser at all. But what does its unsuitability matter to him, provided the price be high? That is what he thinks important, because it means more commission into his own pocket. If the Chinese firm complains, the backwardness of the Chinese engineer will be blamed, but the agent insists upon getting his twenty or thirty thousand dollars nevertheless.

Most residents in China must have seen expensive machinery simply flung aside in a Chinese courtyard to rot, for no other reason

except that the Chinese buyer has been undermined by the middleman.

In some cases, of course, a Chinese is also in this crooked deal. If he be a mighty official, he may say, "Oh, yes, buy me three torpedo-boat destroyers and charge £450,000 for the lot. They will cost you about £300,000, and I happen to want £100,000, so if you like to give me a cheque for that sum, you may have the contract for supplying these nice little ships." With a smile he may possibly add, "Between ourselves, I don't think China really needs them." In this way China is undermined again.

On the other hand it is sometimes amusing to see how cleverly John Chinaman may use foreigners for his own purposes, when he gets a suitable opportunity.

An example of this was given by a friend to the author, and it may be instanced here as nearly as possible in the narrator's own words.

"I was once at a wayside station, wayside in so far as foreigners are usually concerned, because it was the station of a grain centre or market-town some 300 miles from Peking. I had gone up there to buy grain for some mules, and I found only two white men living there. These two white men were employed upon the railway, under the terms of agreement between the Chinese Government

and the European bond-holders. I found them both very nice fellows, and both were very busy with plenty of work to do. But one day I happened to stroll along the platform, and met a young Chinese man in uniform who seemed to have plenty of time on his hands. I spoke to him in Chinese, asking him what work he did, and he replied that he was a station-master. He then went away, and I met another young man, similarly dressed in uniform, with, apparently, a similar amount of leisure-time at his disposal. To my astonishment he, too, informed me that he was a station-master. I began to get interested. But when he had gone his way, and I had met another and another station-master, I began to think of writing a Gilbertian opera.

"Would you believe it? That wayside station had seven station-masters, all drawing $120 per month, all doing no work whatsoever, and all because they happened to be the sons or nephews of influential Chinese officials in authority.

"It was apparently the same with every station on that line. The white men and the head coolie did all the work, while the station-masters enjoyed a fat income for doing nothing. And yet that railway pays handsomely."

Of course labour is remarkably cheap in China, besides which that line enjoys a mono-

poly of the traffic, but this little story shows two points very clearly—how John Chinaman will make use of the foreigner when he can, and how far a Chinese directorate is from running a concern on hard business lines.

Perhaps we have dealt at sufficient length with John Chinaman's little business ways to warrant our approaching other questions. There are many things to be considered by those British firms who would find new markets or place their loans in China.

The country's industrial development means the development of railways, of mines, of agriculture and of manufactures. But to bring all these trees to a bearing-stage capital is urgently required. Mines, in particular, demand close attention, because in the next twenty years they are going to play a very big part in the growth of new China. Just as the first Chinese Government railway owed its birth to the necessity of carrying coal from Tongshan to the Hsukochwang canal, so mining and railway expansion will necessarily go hand in hand to rejuvenate this wonderful prehistoric land.

In this connection it is interesting to quote the remarks of Mr. Arthur J. Hoskin, showing the relative values of mining, agriculture, and manufactures to such a country as the United States, and although we cannot say

that China will be found relatively so well supplied with mineral wealth as her great sister, we may safely prophesy she will not have cause to bewail her portion.

"In the United States in 1900 the census returns showed that agriculture produced about $725 (gold) per capita, mining $1,910, and manufacturing, which is dependent upon the others, $760. The 'National Banker' has said: statistics show that the combined dividends paid by the gold and silver mining companies of the United States are greater than the combined dividends paid by all the banking institutions of the country, and the combined dividends paid by the copper mining companies of the United States exceed the combined dividends paid by our railroads."

These figures must give hope to all well-wishers of China. Is it conceivable that such a great country, which up to the present time has hardly been scratched, shall not yield some of the biggest mining enterprises of the world?

CHAPTER III

MINING IN GENERAL

In the two foregoing chapters we have touched the fringe of forces which tend to undermine China. In the two next chapters we shall deal with some of the forces which are actually mining China. In these latter pages coal will, therefore, bulk largely, as already explained, because its local importance before all other minerals is due to its extensive spread. The anthracite resources of Shansi alone are said to be as great as those of Pennsylvania.

The Szechuan coal-fields are believed to be even bigger, whilst Hunan, Honan, Shantung, Yunnan, Kiangsi, Chili, and the three Manchurian provinces are all amply supplied. The total production at the present time is approaching 20,000,000 tons annually, and of this output more than half is anthracite. Manchuria and Chili have the most important coal-fields in operation, and after them come Shantung and Kiangsi.

Manchuria can boast of the Fushun and Penchihu Mines. Chili enjoys the energy of the Kailan Mines, the Chinghsing, under German supervision, and the Lincheng Mines. All these are thoroughly equipped with modern machinery. In Shantung coal is found in many places, but its chief production comes from the Shantung Bergbau Gesellschaft at Poshan and Fangtse. These mines have washing plants. On this field, as in every other in China, extensive operations are carried out by native mining companies upon a small scale. The Yihsien coal-field is also in the province of Shantung, and the Germans are interested in it to a limited extent.

The Chinese Paochin Mining Company controls the mining of the vast Shansi anthracite deposits, which are of immense importance. The seams are so thick, so little disturbed, so well exposed, and so widely distributed. They cover an area of some 6,000 square miles, and it has been estimated that each square mile should be able to yield 22,000,000 tons of good coal.

But control by a purely Chinese company usually means one of two things—an attempt at operations until debt, bad management, and cash-leakage stop them, or no real attempt at any operations whatsoever.

With the development of this valuable

Shansi coal-field the Paochin Mining Company has made deplorably little progress so far.

It is a matter of common knowledge that no really big concern is likely to succeed under purely Chinese management in China. Even the China Merchants Steam Navigation Company and the Hanyehping Iron and Coal Corporation went through a period of crisis in 1912. Thanks to advances from Mitsui & Company the Corporation recommenced work, but it had to submit to Japanese supervision.

In the same way, outside Manchuria and the Treaty ports no really big industrial concern is likely to succeed under purely foreign management in China.

The reason for this is simple: the Chinese cannot stop a leakage of expenditure, only the foreigner can do that. But the foreigner cannot grease official wheels; nor can he exercise indirect power at Peking to the same extent as a Chinese if he has relatives in authority there.

Besides this point, China's face must always be saved, and a big industrial concern under purely foreign control rankles in the mind of every son of Han.

However, it must not be supposed that "squeeze" can be entirely eliminated, even when a business is run under joint Chinese and foreign control. If leakage be absolutely

and entirely cut off, the Chinese will look upon the game as not worth playing. Therefore foreigners in China have to stipulate for foreign control, but the foreign manager must use his discretion in letting the game be a paying one for the shareholders as well as a sufficiently interesting one for the Chinese with whom he works.

Nearly all the new mines now opening up in Manchuria are to be under joint Chinese and Japanese control. This question of preponderating control is touched upon later, but the Chinese themselves realize that a mine under foreign supervision always pays better than a mine in Chinese hands.

When mines shall have been opened up all over China with the aid of railways, revolutions will cease. It is contrary to human nature for men with full stomachs to raise insurrections, and the community which lives near any big mining centre in China is always prosperous and happy to look upon.

Broadly speaking, practically all the mining industry of China is confined to Northern China at present. The Pinghsiang Collieries, of course, must be excepted, and so must the native-worked mines of Szechuan and Yunnan. These, however, only cater for local needs, which are not of any great magnitude.

The Pinghsiang Collieries supply coal and excellent coke to their Hanyang Steel Works. The coal is of a bituminous coking variety, and the output is about 150,000 tons per annum. When the Canton–Hankow railway-line is completed, this mine will merit much greater attention than it secures now. But revolution after revolution has delayed this railway, and who can say when it will really be built?

The great fundamental differences between Northern and Southern China are two—climatic and means of internal transportation.

When railways begin to spread uniformly throughout the land, this latter difference will gradually disappear, but at present it is a difference between the boat and the cart. Of course there are carts down south just as there are boats up north, but there are practically no roads in China. Even the motorist at the Treaty ports feels the pinch of this limitation. Down in Shanghai he may be able to get a spin of eleven or twelve miles. Up in Tientsin he cannot possibly go farther than about half that distance. But when the traveller proceeds outside the jurisdiction of these ports he finds nothing but mere tracks which become hopelessly impassable in rainy weather.

This road question has a very distinct bearing upon industry of every sort in China,

but more especially does it affect mining. In so far as coal is concerned there are two big concerns operating. There are many smaller ones which may become of great importance later on, but there are only two really big forces now operating in China's coal-mining world.

These are the Fushun Collieries near Mukden and the Kailan Mining Administration's Mines between Tongshan and Chinwangtao. The former are under Japanese management, and controlled by the Japanese coal ring. The latter are under British management, and may be considered an Anglo-Belgian-Chinese concern. After these two really powerful forces we might mention the Pinghsiang Collieries, which have already been referred to, the Peking Syndicate, and the Penchihu Mines in Manchuria. Then come a number of less important ones such as the Chinghsing, the Paoshan, and the Yihsien Mines.

The Peking Syndicate's coal is anthracite. It cannot therefore ever compete with the Fushun or Kailan coal, which is bituminous. Furthermore the Peking Syndicate received a crushing set-back in September 1912, when two of its shafts were absolutely flooded. It will probably be a very long time before it makes up for the ground lost.

The Pinghsiang Collieries belong to the

Hanyehping Coal and Steel Corporation. This is a semi-government concern. But the late revolutionary disturbances embarrassed it. It closed down for some time, and was in great danger of having its property destroyed by the rebels more than once. When the Canton–Hankow line is built, this mine will be able to compete in the Hong Kong coal market.

The Penchihu Mine is rising in importance, although the coal is not of superlative quality. This mine is under joint Chinese and Japanese control, just in the same way that the Kailan Administration is under joint foreign and Chinese control. All the mines now opening up in Manchuria are semi-divided in the same way. This emphasizes what has been said—that any big concern in China cannot be run by foreigners alone, any more than it can be run by Chinese alone.

In a few years' time the Penchihu Mines may be a force to be reckoned with, but at present only the Fushun and Kailan Mines really count.

Only these two forces represent China in the race against Japan to monopolize the coal market of the Chinese Pacific coast. They also have this advantage over Japan: they are both still capable of tremendous development, whereas Japan must have very

nearly reached the limit of her maximum coal output.

It must be remembered that inland coal consumption amongst the villages of all the Chinese provinces is still very, very small. It will never pay a big company equipped with modern machinery and expensive plant to rely upon local sales until the domestic use of coal is much more widely appreciated. Hitherto Chinese peasants have sat shivering around the embers of their straw fires, almost frozen to death, whilst the bitter snow-storms of a northern winter have howled entreaties to them to mine the wonderful stores of coal which lay neglected such a very few feet below where they were sitting. The Chinese have listened to these entreaties with a stolid, stupefied indifference. With trembling, frozen fingers they have readjusted the furry ear-caps upon their equally frozen ears, and the winds have continued to moan their bitter lament, but they have moaned their lament in vain.

The Chinese peasant has taken a very long time to appreciate the use of coal. This is due in equal measure to the low rate of his own earnings and to the high cost of carting coal. Hitherto he has had few wants, but he has been remarkably poor when it became a question of converting a new-found luxury into a necessity. Perhaps he was wise enough

to see that the poor man without wants is just as independent a creature as the rich man with sufficient means to satisfy his wants.

The Chinese peasant's mental attitude towards coal does not concern us very greatly, but his tardy action in utilizing coal concerns us a very great deal. His indifference has forced coal-mining companies to look for their market and profit through export. This, of course, means that until an internal domestic consumption of coal becomes more marked, propinquity to the sea-coast or propinquity to a railway where freight rates are cheap become factors of the most vital importance. These factors are almost of as much importance as the quality of the coal it is desired to sell.

Compare the relative advantages now enjoyed by the Fushun and Kailan Collieries in this respect. The analyses of their coals may be taken from the following tables :

No.	Locality.	Moisture.	Volatile hydrocarbon.	Fixed carbon.	Ash.	Sulphur.	Analyst.	Remarks.
		Per cent.	Per cent.	Per cent.	Per cent.	Per cent.		
1	Fushun	6·30	39·34	52·90	3·18	0·27	C. H. Wang	Average of seven published analyses.
2	,,	4·43	40·33	48·89	6·35	1·00		

Mr. K. Inouye has classified these Fushun

coals as sub-bituminous and of tertian age. But all Manchurian coals are very friable, furnishing but a small proportion of lump size, and no good coking coal has yet been found.

The analyses of the Kailan coals vary rather considerably. Those given in Mr. Thomas T. Read's article published in the "Far Eastern Review" in July 1912 are as follows:

No.	Locality.	Moisture.	Ash.	Fixed carbon.	Volatile hydrocarbon.	Sulphur.	Fixed carbon ratio.	Analyst.	Remarks.
		Per cent.	Per cent.	Per cent.	Per cent.	Per cent.			
1	Tongshan	1·00	16·67	56·78	25·55	1·01	2·22	C. H. Wang	Coking, bituminous.
2	,,	0·84	18·02	57·19	23·95	1·46	2·38	,,	Bituminous.
3	,,	1·37	21·72	53·81	23·10	2·55	2·33	,,	Non-coking, bituminous.
4	,,	0·93	12·29	59·75	27·03	3·90	2·21	,,	Coking, bituminous.
5	,,	0·90	13·55	70·33	15·22	2·26	4·62	,,	Coking, bituminous.
6	,	0·77	18·59	53·28	27·40	1·11			Average analysis furnished by the company.
7	Linsi .	0·77	19·18	51·97	28·05	0·88			Average analysis furnished by the company.

But here are some more figures of more recent date:

	Navy Lump.	Loco Lump.	Linsi Lump.	No. 5 Slack	No. 1 Slack.
Moisture . .	1·10	·88	·80	·90	·78
Volatile matter .	30·95	29·89	29·30	28·90	27·15
Fixed carbon .	62·55	59·44	57·20	59·60	55·95
Ash . . .	5·40	9·79	12·70	10·60	16·12
	100·00	100·00	100·00	100·00	100·00
Coke . . .	67·95	69·23	69·90	73·16	72·07
Sulphur . .	·78	1·10	·97	1·14	1·08

In comparing these two analyses there seems to be a big difference of opinion as regards ash, but this may be due to washing and drying, or to some explanation not apparent to the eye.

We will, however, return to the comparison we were making between the position of Fushun and Kailan coal as regards the over-sea market. We have seen that Fushun coal is sub-bituminous of excellent quality. The output of the Fushun Mine is approaching 1,500,000 tons per annum. That of the Kailan Mining Administration for the year ending June 1913 was 1,740,000 tons. This output, however, will soon be greatly augmented.

The Administration's mines are nearer to the sea, but they can only be exported in any quantity from one port, Chinwangtao, because the bar at the mouth of the Tientsin

River prevents deep draught vessels from filling up their bunkers at Tongku.

Furthermore the mines are not the property of the Chinese Government railways, so that cost of carriage must be taken into account. The distance from Tongshan to Chinwangtao is eighty-six miles. The distance from Tongshan to Tongku is fifty-four miles. There has also, in the past, been some competition for coal-trucks on the Pekin—Mukden line, because other interests besides the Kailan Mines have to be considered.

Fushun coal has two ports of export—Yinkow and Dalny. It has the monopoly of supplying the Dalny shipping trade as well as the South Manchurian Railway; but, above all, it must be remembered that this mine belongs to the South Manchurian Railway, and on that account enjoys special railage facilities.

The South Manchurian Railway Company is one of the biggest concerns in China. Its debentures are guaranteed by the Imperial Japanese Government. It controls not only the mines and railway, but also the port of Dalny, and it runs a line of steamers to connect Shanghai with the Trans-Siberian Railway route. In 1912 its profits were over 3,000,000 yen. It will, therefore, be seen how widely extended its operations are.

It may interest British and American readers to know, roughly, what profits there are in

China for the big coal-mining company which is lucky enough to have a good quality of coal, as well as to be favourably situated near a railway with easy access to the sea.

In England the average pit-head cost of producing each ton is, approximately, 8*s*. 3*d*. The average selling-price in London is, approximately, 16*s*. 6*d*.—that is to say, the selling-price in London is double the pit-head price.

In China the selling-price is, approximately, three times the cost-price at pit-head at places situated within a similar radius from the mine.

Here are a few extracts from a report by a European expert relating to some mines in the vicinity of Peking. In this report he says :

"The salaries of workmen are somewhat higher than those obtained at the Tongshan Mines. The shifts are twelve hours. Coal-cutters are paid about 50 cents and coolies 40 cents per diem. This high rate of pay, in a region so far from the big centres, is somewhat abnormal. A mine established in this region, and consistently worked under good management, would give for many years a lump coal at a cost-price of one and a half dollars at the mine."

This estimate, of course, means the Mexican dollar or two shillings in English currency;

but it must be borne in mind that this expert was discussing a property which was only being worked by native methods. The average price in Peking for native-mined coal is considerably less than that mined by the big foreign-controlled companies, the expenses of the native mine being very small indeed. Of course the big companies, by screening and washing, produce a better article, but the salaries they pay to their foreign employees are frequently very high. In addition to this they have to face heavy office expenses.

We may take it for granted that the pit-head cost-price on either the Fushun or the Kailan Mines will be considerably more than one and a half dollars per ton. It will probably be between two and three dollars per ton. The quality of coal mined in Shantung is not considered so good as that mined near Tongshan or Fushun. It is, moreover, mostly anthracite. But this statement may demand qualification, because the budding Yihsien coal-fields are said to yield a bituminous coal of excellent quality.

As far as we can see at present, then, the struggle for supremacy in the China coal market is coming between the Kailan colossus and the Fushun Mines. Both concerns are doubling their efforts to try to double their outputs. Both concerns are competing for the southern markets.

In 1913 the Fushun Mine secured a large and valuable government contract in Manila. At the same time its two new shafts, the Togo and Oyama shafts, are being rapidly completed.

The Kailan Administration, however, is turning its attention to coke, and is about to erect a new coke plant with machinery for recovering the by-products such as ammonia, sulphur, and so on. It may also absorb new coal areas before very long. Both concerns are actively pushing their coal sales in Japan, and in both cases their shipments to Japan have increased by leaps and bounds. The Penchihu Colliery is making similar strides in this direction, and recently signed a contract for supplying 100,000 tons; all of which goes to show that industrial Japan must be moving forward at a great pace. The Imperial Japanese railways alone took 150,000 tons of Fushun coal in the first half of 1913.

If there were no coal in Japan, these big shipments would cause no surprise, but activity is still observable in that country's indigenous supply.

Take the Matsushima Colliery, for example, which formerly belonged to the Koga family, and which is situated on the island of Matsushima between Sasebo and Nagasaki. Its output is now only some 300,000 tons per annum, but as soon as the extension work

being undertaken on this property is completed the output will be doubled.

Curiously enough Japanese coal is not competing so strongly on the China coast as it was. By some people this is attributed to Japan having reached her point of maximum output, whereby her relatively rapid industrial expansion enables her to absorb most of the coal her mines put forth.

Other people, again, declare that Japanese coal is too full of gaseous volatile matter to become a competitor with Chinese coal. In all probability the truth lies not in this cause or in that cause, but somewhere midway between a number of contributory causes.

But let us leave Japan for a little while and take a trip down to the Kailan Mines at Tongshan to see for ourselves the big black busy chimneys, the grimy coolies, the coal-trucks, the head-gear of each mining shaft, the dumps of slack, and the hundred and one other items which make up the coal-mining picture all the world over.

We must not, however, go away with the idea that Tongshan is the only place in which the Kailan Mining Administration has interests. On the contrary, it has mines at Machiako, at Chaokochwang, as well as at Linsi. At Machiako there is one shaft, at Chaokochwang there are two shafts, at Linsi there are two shafts, and at Tongshan four. All these

places are in the Kaiping Coastal District, midway between the ports of Tongku and Chinwangtao, with which they are connected by the Chinese Government railway system. At Tongshan there is an electrical installation for pumping and lighting, which is reputed to be one of the finest in the East. It cost considerably over $1,000,000 (Mexican), and its boiler-house is complete with seventeen Cornwall-Galloway type boilers. The surface of the mine is lighted by forty-eight arc-lamps and by three hundred glow-lamps. Underground there are five motor-driven centrifugal pumps, having an individual capacity of 1,200 gallons per minute against a head of 750 ft.

The various qualities of the coal obtained are expressed by the following nomenclatures:

Navy Lump, Loco Lump, Linsi Lump, Chaokochwang Lump, No. 5 Slack, No. 1 Slack, No. 2 Slack, and Special Coke.

Each of these qualities, though perhaps unfitted for other purposes, is good for the specific uses to which it is customarily put.

No. 5 Slack, for instance, is undoubtedly amongst the best slack coals in the Far East, but its chief advantage is its adaptability to the manufacture of coke.

Again, Navy Lump is said to be the finest coal for industrial purposes to be found anywhere east of Suez. It is nearly smokeless, and gives a very small percentage of

ash. It is often used for naval purposes, but its supply unfortunately is not without limit; it is small.

For railway work and bunkering, Loco Lump is now the premier coal in the North China market. It is highly bituminous, and for raising steam it can show good results.

But there is one little fact which is sometimes overlooked by foreigners in China. Strange as it may sound to them, there is an indigenous race of men living there with yellow faces and apparently inverted tastes. One of these apparently inverted tastes has imbued these yellow men with a particularly strong sense of the advantages of buying slack coal whenever they can bring themselves to buy coal at all. They find it excellent for their various purposes, and it is, moreover, remarkably cheap. Accordingly a market in slack is springing up, and cartloads of this coal are now being sold annually in increasing quantities until it may be said to shed a glow of warmth upon North China in defiance of the Lady Winter who spreads her ermine cloak down from the north in vain.

Up to this point we have peeped at Kailan coals, but have not touched upon the Administration's other products, although several of these deserve more than a cursory mention.

To begin with, there are the fire-clays: these, obedient to geology's unfathomable laws,

are found in close association with the coal-seams, with a sufficiency outcropping upon the Administration's property to justify the boast that their stock is immense. In class, too, they are declared by experts to be good. Next we turn to the fire-brick factory at Tongshan, with another subsidiary factory at Linsi. Both of these are up-to-date, and at present are putting out, approximately 50,000 tons per annum. Were it deemed advisable to work at fever-pitch, there is no reason to doubt that this output could be augmented, for the equipment might be able to handle 100,000 tons per annum without straining the Administration's plant or the writer's reputation for veracity.

All up and down the Pacific coast-lands, through contract after contract, these bricks are strewn; here a few in Singapore, there half a million in San Francisco. They will tell their tale to the sons of unborn empires in future days to come. Then, when Tientsin shall have become as old, as dead, and as venerable as Babylon is to us now, some antiquarian may stumble across a K. M. A. brick, and with ecstasy will read upon it not only the hieroglyphics K. M. A., but also the more important message of progress which white men brought to far Cathay at that long-forgotten period.

But there is no necessity for us to look

two or three thousand years ahead; for the moment we are more concerned with things nearer our own times, amongst which we might mention tiles. The Kailan Mining Administration makes tiles and makes earthenware pipes besides. In both these commodities a steadily-increasing trade has been established, and the busy grinding mills or smoking kilns at Tongshan are a reminder that yet more activity may be expected when the outside world becomes better acquainted with these latest products of the Chinese coal-mining colossus.

CHAPTER IV

THE RISE OF THE KAILAN MINING ADMINISTRATION

It is curious that the whole history of China's coal-mining development should be concentrated within the history of two companies. Therein we may trace the "Foreign Devil's" hand compelling China to develop her coal in spite of her own prejudices.

Just as we see her to-day unwilling to let foreigners supervise her expenditure, we may trace in the Kailan Administration's history her attempts to keep the foreigner out. All through the story about to be related we hear Chinese officials saying to one another, "We must not allow these barbarians to mine China, or they will undermine China." We can also follow the various phases whereby any big Chinese concern gradually falls into debt, passes through a stage of foreign possession or control, and eventually emerges successfully as a joint Chinese and foreign concern. These various stages are particularly interesting, in view of what is now happening

to China as a whole. We see almost exactly the same phases occurring on the bigger scale which have ultimately led to success on the smaller scale.

Instead of the foreign directors of the Chinese Engineering and Mining Company we see the foreign Powers. Instead of a Chinese coal-mining company falling into debt we see the Chinese nation falling into debt.

In course of time the Chinese Treasury must come into foreign hands in the same way that the coal-mining company did, and the Chinese will not like it. But, after a while, we shall see China developing as a big Chino-foreign concern under joint management. We shall hear no more of Chinese resentment, because prosperity will have soothed it. And afterwards we shall see the most glorious dawn of industrial development which the world has ever known. In this story lies a trusty key to China's unborn history. It is not difficult, therefore, to prophesy good things.

Just in the same way that Chinese shareholders in the Kailan Administration now touch dividends they never did before, the Chinese of to-morrow will reap the benefit of factories and mills and railways. Busy trains will be rushing with feverish activity past the sites of former temples. Corn-lands will cover forgotten graves. The bang and clatter

of sorting-rooms, the whirr of machinery, or the telephone-bell will have drowned the shouts of rebel soldiery.

All these things are bound to come, but the foreign control which will bring them in its wake is only beginning to be felt. On the smaller scale it has crystallized already.

The bang and clatter of coal-tubs, the whirr of machinery, or the telephone-bell may be heard at Tongshan any day of the week. They sing a song of wages, war, and cheque-books, but the war is only commercial war and the cheque-books flutter in London as much as they do in Peking. Here we must make a short digression that the story may be appreciated to the full.

For many years China has been avoiding the day when she must put her mining laws upon a reasonable footing. That day is said to have arrived at last, and new mining laws may have been promulgated before this book reaches the press. But it is possible that they may have to be sent back for revision, as they have been so often in the past. In 1909 European mining circles were interested to know that China proposed issuing amended mining laws. Being ignorant of China and her customs, these mining men were foolish enough to expect much instead of little, though they afterwards found out their mistake. Some of them were on the

tip-toe of excitement, picturing to themselves a great unlocking of a virgin Eldorado.

Into the minds of the less scrupulous, no doubt, floated visions of "booms," of syndicate swindles, and of "salted" properties. They pictured to themselves glowing prospectuses with which they might deceive the Chinese public, prospectuses based on the scientific lie of that truthful person, the mining expert. They saw "dumps," and head-gear, and tubs, and engine-rooms. But when the new Chinese mining laws eventually made their appearance, all these visionary hopes were doomed to receive a very rude shock. Instead of unlocking her treasures to the western barbarian, China offered, with a smile, to let the barbarian risk his money, provided China should retain the soil and receive whatever profits should come out of it. In a word, the new mining laws were ridiculous in the extreme, and they were promptly returned by the British Minister as unacceptable and wanting revision.

Since then they have been drafted and sent back for revision more than once. Now, like the return of a comet, their reappearance is just about due. Any investor who wishes to risk his money in opening up a mine naturally asks for a fair chance, with as little government supervision as possible. He demands that revenue to the Government shall

only be collected on the output of his property, as every dollar spent by him on development adds to the prosperity of the region in which that property lies.

He objects to having taxes and royalties filched from his pocket before his property shall have reached the producing stage. He also desires a clear title to his property, and, furthermore, he combats the idea that a mine is just a hole in the ground which can produce profit and ready cash at will.

In none of these things was the Chinese Government willing to meet him, so the foreign mining investor naturally held aloof. He has been holding aloof more or less ever since.

It is interesting to reflect that China fears losing her heritage to the foreigner, and only gives him mining control when she is feeling distinctly prostrate. This is twice exemplified in the history of the Kailan Mining Administration: first, in 1900, when the Kaiping Mines were allowed to come into the hands of the Chinese Engineering and Mining Company; secondly, in 1912, when the Lanchow Mining Company agreed to amalgamate its business with that of its old enemy the Chinese Engineering and Mining Company and come under foreign control.

July 1st, 1912, was an epoch-making date in the history of Chinese mining. It was

the birthday of the Kailan Mining Administration. For a period of ten years from that date both the Lanchow and the Chinese Engineering and Mining Companies agreed to sink their separate identities under the name Kailan. From that date the new Administration became the dominating mining power in the whole of China, and this Administration is so important that we must dedicate more than a little time to it.

Every one of the events which brought this mighty power into existence requires the closest attention. The story is not a new one—it is not even a secret one. Everybody in North China could look it up in the back files of the daily papers if they chose to do so. It is also partly written in the report of the great action fought by Mr. Chang Yen Mow against the Engineering and Mining Company in the British Law Courts in 1905.

It is a story where Mr. Chang Yen Mow stands out as a foolish Chinaman. It is a story where Mr. Hoover stands out as a clever foreigner. It is remarkable that such a young man should have been able to secure such a good bargain as the control of the Kaiping coal-fields. Of course he was lucky.

At the time there was no settled government in China. The Court had fled, and the Boxers had thrown Chinese resistance to foreign control completely out of gear. It

could not have happened otherwise, because China only concedes mining privileges to the westerner when she feels weak and unable to resist his demands.

The year 1900 was the year of the Boxer outbreak. The Engineering and Mining Company passed into foreign hands that year. The year 1912 was the year of anarchy and revolution, the year when Manchu rule was thrown upon the scrap-heap. The Lanchow Mining Company's business came under foreign control that year.

Mining men who look towards China might do well to remember these little facts even if the promise of a more enlightened policy in Peking should tend to make them forget the lesson.

The story of the Genesis of the Kailan Administration is rather a peculiar one. From a Chinese point of view, it is not altogether a pleasant one. Even now there are Chinese who try not to think of it. In it they see a reflection of their country's undermining, and they do not see the industrial advantages which a prosperous, well-equipped mining concern is bound to bring in its wake.

Like the jovial surgeon returning to look up a patient whose leg he has taken off, the Administration's ruler now says to China, "Was it not good for you?" But China takes time to consider before she answers the

question. She sees in the new amalgamation a thorough exploitation of coal, but she sees her ideals are broken. She sees the control of the Kaiping coal-fields gone from her hand for ever. When, therefore, her operator friend repeats his question, "Was it not good for you?" she sadly shakes her head as she answers: "That may be, sir, that may be, but it still hurts."

In order to understand these feelings we must wander back some thirty-four years over the hills of time, whence we can observe the story of earlier Chinese mining meandering slowly through autumnal years until it purples away into yet more misty obscurity.

Prior to that date Chinese coal-mines were only scratched on the outcrop, they were not treated scientifically, for the very simple reason that the yellow men of the day had no facilities for modern mining. Their commercial instincts told them rightly enough that "black stones" had some calorific value. Accordingly they searched for them, found them all along the Kaiping Coastal District, and dug up as many of them as they could with the miserable appliances at their disposal. Beyond that they merely sat down satisfied more or less at having accomplished so much, but wholely unaware of the huge unsuspected potentiality which lay like the genii of the story-books, bound and black

and mighty beneath their miserable mortal feet.

It cannot be disputed that the Kaiping District of the Chili province was well known to these by-gone Chinese as a rich coal-bearing area. Traces of their old workings, spread all along the outcrop, still bear eloquent testimony to the industry with which these yellow men of old sought to obtain their "black stones." But, as time went on, their primitive methods of quarrying led them to suppose that their mines were exhausted, and consequently they were by no means unwilling to sell their mining rights when a prospective purchaser came along. This buyer was an enterprising Chinese gentleman named Tong King Sing.

Mr. Percy Kent, in his book on railway enterprise in China, sums up Tong as follows :

"He was certainly a remarkable man. By birth a Cantonese, bred in the perfervid atmosphere of anti-foreign Canton, he was the product of what, from the western standpoint, was a particularly narrow and unprogressive age ; yet he himself was a man of progressive spirit and large mind. Though a poor business man, in the sense that he possessed no great aptitude for detail, he was, nevertheless, an honest administrator ; and combined with his other attributes a courageous tenacity of purpose and a fine spirit of patriotism.

"During the period now under consideration Tong King Sing occupied the position of Director-General of the China Merchants Steam Navigation Company, in the formation of which a few years previously he had played a prominent part. The company, which was a joint-stock enterprise, the shares being held exclusively by Chinese merchants, had since its formation added largely to its fleet. Its demand for coal had, therefore, become considerable.

"But at this time Japanese coal was practically the only coal in the Far Eastern market. China herself, though rich in the mineral, produced none for other than quite local needs, such mines as were open being mostly in the interior and worked by Chinese methods. Such a state of affairs was very distasteful to the mind of Tong King Sing, who was anxious to see the progressive move made in the direction of steam navigation followed by a complementary development of the mineral resources of the country."

Now Tong happened to enjoy the patronage of the late Viceroy of world-wide fame, Li Hung Chang. Together they established a mining company, composed entirely of native investors. With their money they proposed to work the Kaiping Coal District, not as heretofore, by scratching the outcrop only, but to mine this time altogether in accordance

with European methods. Thus it was, in 1878, that the old Chinese Mining Company uttered its new-born cry: and for the next twenty years its Chinese nurses looked after it. In 1879 the first colliery was opened at Tongshan, ten years later the Linsi Colliery, at a distance of some seventeen or eighteen miles from the parent shaft, was likewise opened up.

This was followed by the north-west shaft, which began working five years later in the vicinity of Tongshan. Meanwhile, the company had begun to feel the necessity of getting its produce down to the sea as cheaply as possible, and with this objective in view constructed, in 1880, first a canal connecting the inland water-ways of China with a point as near Tongshan as their imperfect engineering methods would allow, and secondly a short railway-line to connect this above-mentioned canal-head with the mines. When the first sod of the seven-mile railway track was turned, China's railway system was born, and any one who would now venture to set a limit to its future dimensions must be both a brave and a pessimistic prophet indeed.

It was the keen desire of the company's directors to distribute their coal, which led them to establish a line of steamers in 1887, and to borrow money in 1899 from the Deutsch Asiatic Bank with which to purchase land

for a radius of three miles around Chinwangtao to make there an ice-free port for the company. They rightly calculated that such a harbour would be capable of accommodating vessels of deep draught all the year round, and that it would be particularly useful when the Tientsin River should be frozen. Hitherto they had found their shipping interests seriously handicapped by the difficulties attending the navigation of the Taku Bar and Peiho River; in fact, a complete cessation of traffic had been unavoidable during the winter-time when this port was ice-bound.

But despite all these drawbacks and hindrances the original company had managed to carry on its business for more than twenty years with more or less success. And then the end came.

This huge undertaking, this vast monument to the enterprise of the Chinese commercial man, was to pass into foreign hands—hands which alone in China seem able to put big undertakings upon a firm financial footing, and to staunch the ebbing life-blood of a constantly-leaking expenditure. The foreigner, with all his faults, can set a limit to "squeeze." The Chinese, with all his virtues, cannot.

It was in 1900, the year of the Boxer outbreak, when China hung down her head in utter disgrace before the tribunal of western

nations, that Mr. Chang Yen Mow, the Managing-Director of the old Chinese Engineering and Mining Company, consulted with his friend Mr. Detring, and decided to put all the many valuable properties of his company into the hands of two foreigners.

His reasons, in view of his subsequent action to recover his rights, may seem somewhat obscure, but probably he was actuated in some degree by a vision of foreign protection. That he should have desired protection of this nature is not altogether surprising when we look at the events then passing. Those events must have loomed terribly large to a Chinese gentleman situated as Chang Yen Mow was.

The Russians had long desired to secure the Peking–Mukden section of the Imperial Chinese railways, in order to link up the capital with their Manchurian system. They bitterly resented seeing the line under Anglo-Chinese control, because it interfered with their scheme of securing a voice behind the Dragon throne.

When the Boxer trouble broke out, Russia thought she had secured the winning card. Her long-pondered plans seemed to have matured at last. Her opportunities had evidently come.

On May 28th, 1900, the Boxers had burnt the railway-station at Fengtai, and a force under Admiral Seymour started from Tientsin

on June 9th to relieve the pressure which threatened to overwhelm the foreign legations at Peking. But this force was immediately compelled to fall back again in order to protect Tientsin City. The whole country-side was plunged into war, and the Russians took the necessary steps to secure the railway as quickly as they could. This they were able to do by pouring down troops from Manchuria. By September 18th the whole line from Fengtai to Shanhaikwan was in Russian occupation, and though Great Britain angrily resented it, Russia was preparing to claim all the territory through which the line ran as belonging to the Czar by right of conquest. Had this claim been ultimately allowed, Chang Yen Mow must have lost his properties.

The only chance for him apparently lay in the protection offered by the British flag. The Kaiping coal-fields were not at the gates of Tientsin; they were much nearer the Russian sphere of influence than that. A very great likelihood of the whole surrounding district falling into Russian hands must, therefore, have been presented to this Chinese gentleman's mind. Under these conditions it is not surprising that he should have acted injudiciously. Neither is it surprising that a misunderstanding should have crept in later over the conditions on which

he intended to relinquish his valuable properties. But we need not probe into that business. It is sufficient for us to know that the men who had secured the prize quickly turned it into a joint-stock company.

The Chinese Engineering and Mining Company was formed, but a proportion of its capital was raised in Belgium. This is interesting because, although the company was registered under the British flag, all the technical staff at the mines had to be, and must still be, Belgians. Doubtless British prestige at that time would place a company registered under the Union Jack in a stronger position than could be enjoyed under any other flag. At a moment of danger like that of 1900 such an arrangement would enable the General Manager to call upon British bayonets to protect his property.

At such a moment Belgium could offer no such facilities either in a military or in a political sense. It exemplifies the subserviency of diplomacy and war to finance. But finance is a cosmopolitan thing. Great Britain waged a war in South Africa for finance, and the British tax-payer has been paying a higher income tax ever since. We are living in a curious age. There was a period when kings, and barons, and cardinals held the strings of power, and everybody else danced. There was a period when the courtier

and the military dictator could make puppets of their fellow-men. Then came the period of the politician and the Press. They also were powerful so long as free speech was not to be bought or sold.

Now we have reached the period when finance alone is king. Diplomats, generals, peoples, and countries may be blind to their servitude, but whether they be aware of it or no, their slavery to finance is none the less real.

Possibly British mining prestige in China has been enhanced by the fact that Hoover registered his company in Great Britain, but all this is a side issue. We will go on with our story. When the panic of 1900 was over, Chang Yen Mow tried to recover the rights he had already disposed of, and with that object in view brought his case before the British High Court in London in 1905. But he did not succeed in regaining control of the valuable properties he had lost, although he was given a seat on the Board of Directors.

He admitted at the trial that his company had been short of money, but apparently he based his action upon the fact that a board of directors had not been established for the new mining company in China.

Here it is a little difficult to understand why Chang Yen Mow took legal action

in England instead of exerting diplomatic pressure at Peking, if he felt he had suffered through misunderstandings.

But the main point with which we are concerned is that the new Chinese Engineering and Mining Company existed for over ten years in direct opposition to Chinese government circles and to the wishes of the Kaiping local people. Major Nathan publicly stated this fact in his after-dinner speech at the Kailan Mining Administration's inaugural banquet which was held at the Astor House Hotel in Tientsin in 1912.

But matters did not end here. We next find a purely Chinese company, the Lanchow Mining Company, being formed and commencing coal-mining operations in the Kaiping basin on land which was claimed to have been granted to the Chinese Engineering and Mining Company in 1900. Apparently it was the distinct purpose of the Lanchow Mining Company to oppose the Anglo-Belgian concern in the local coal market, for a bitter rate-cutting war began between them which raged without intermission for two or three years. During 1910 and 1911 matters had reached such a pitch that the Chinese Government proposed to buy back the rights of the Chinese Engineering and Mining Company lock, stock and barrel. Indeed, a lump sum cash price had almost been agreed upon, and the negotia-

tions had progressed so far that it seemed only necessary for the purchasers to make some arrangement for finding the necessary millions.

Then of a sudden, with that dramatic suddenness which is so characteristic of Chinese affairs, the political weather-cock went right round. The distant rumbling of the coming storm broke in upon the deliberations of the contracting parties and disturbed their negotiations; and, when the revolution broke out a little while later, it was found that the attitude of the Lanchow Mining Company had turned a complete somersault. In place of a marked and bitter antagonism their tone had suddenly assumed the garb of extreme docility. For the first time since their inception as a company they were willing to yield to terms. This was the psychological moment in China's mining history. This was the moment Major Nathan must have been praying for, but had never dared to expect. His proverbial good luck came to his rescue. He was not going to lose his "job."

It must be remembered there was something very like anarchy ruling in China at this time. After the fall of the Manchu throne, hosts of unpaid soldiers were roaming everywhere throughout the land. Feelings very much akin to those which had actuated Chang Yen Mow twelve years earlier must

have presented themselves to the minds of the Lanchow directors. They probably reflected upon the possibility of southern influence becoming paramount under the new regime which was just dawning through the mists of war. It was probable the seat of government might be shifted to Nanking. It was also possible that southern troops might damage their company's property. At such a moment only the foreigner appeared strong to their nervously excited minds, and, as on the former occasion, they turned their eyes towards protection of some sort, foreign or otherwise. Just as Chinese gentry and officials were seeking personal safety by flocking into foreign settlements, a Chinese company was willing to find shelter by placing its business in closer touch with a foreign flag.

At the same time, it must not be supposed that the Engineering and Mining Company was any less willing to come to an understanding, for the long-continued war of rates had hit its profits hard. On the contrary, its representatives in China were anxious to bring matters to a speedy conclusion. Accordingly, a meeting was arranged between the parties concerned, and more was done in one night of conciliatory discussion than had been done by years of rate-cutting rivalry. In one night the unification of the two companies under one administration was settled

in principle, and more was done towards unlocking China's mineral wealth than had ever been done before.

If Major Nathan ever reads these pages, he will probably lay stress upon the fact that the two companies under his administration still retain their separate entities. He will say it was only the business of the Lanchow Mining Company, which came under foreign control in 1912, not the company itself. He will also probably point to the fact that after ten years of this working agreement the Lanchow Company have the right to buy out the Engineering and Mining Company at a price to be mutually agreed upon between them. These are subtle points which may mean much, or may mean little. Major Nathan is a great diplomatist, and there is no need to argue the niceties of these questions. It will be sufficient to reply that the Chinese have also the right to buy back the South Manchurian Railway out of Japanese hands, but when the time comes for them to do so, they will probably find the price to be paid for that line somewhat of a stumbling-block. Already the Japanese have applied for an extension of their lease over the railway in question.

After the formation of the Kailan Mining Administration had been agreed to in principle, it took some months of negotiation

to arrange the final condition of the compact. There was to be a deliberating board, half Chinese and half foreign, to manage its affairs. Major Nathan was to be its General Manager, but practical control was reserved to foreign hands, not Chinese hands. That is the important thing to remember about it. The Lanchow Company were to receive large sums of cash, besides which they were to have the option of buying out the Engineering and Mining Company at the end of ten years. The profits, up to the sum of £300,000 per annum, were to be divided between the two companies in the ratio of 60% to the Anglo-Belgian Company and 40% to the Lanchow Company. When that sum should be exceeded, they would share in equal proportions. It is interesting to note that the profits were £295,000 for the first year of the Kailan Mining Administration's life.

It is also interesting to note that our old friend Chang Yen Mow received 1,000,000 taels at the time of the amalgamation, in settlement of all claims he had or thought he had against the company. Unfortunately, the poor old man did not live to enjoy this money more than a few months. He died in May 1913.

Now it can do no harm if we speculate a little as to what might have happened if events had taken rather a different course in 1910 and 1911. It was then that arrange-

ments were almost concluded by the Chinese Government to buy out the Chinese Engineering and Mining Company. About the same time Lord Kitchener was travelling in China and adding to his collection of china. It is commonly reported that our great military organizer actually wished to lend his services to the Chinese Government to help reorganize her armies, as he then had no employment, and, if he had been permitted to undertake such a task, we might have seen some very curious developments.

It is extraordinary how wonderfully tenacious the Chinese as a nation are. When a foreigner has secured some mining or other right which the Chinese Government considers should never have passed out of Chinese hands, no effort is spared by the officials and local gentry to harass and annoy the intruder. There is nothing extraordinary in this feeling itself. The astonishing thing is the pertinacity with which Chinese public opinion makes itself felt.

In many cases foreign concession-holders have been compelled to surrender their properties simply because they found it impossible to work them. And even if they have been strong enough to defy public opinion, as the Chinese Engineering and Mining Company was able to do, they will find their pathway stony in spite of big profits.

Here is an instance to bring out this point. In the early days, before the Chinese Engineering and Mining Company took over from the old mining company, the present Peking–Mukden Line of the Chinese Government Railways was being built, and both the railway and mining companies had a common Director-General — Tong King Sing. To secure a suitable track, the railways were empowered by government to buy up any ground they might require at a fair market-price. When, however, it came to running the track through the Mining Company's property, deeds of transfer were often not exchanged because the two companies were so intimately connected under their common Director-General that a great deal of giving and taking simply depended upon his verbal order. Later on Chang Yen Mow was also Director-General to both concerns. As a result, vague and shadowy rights over certain pieces of land existed.

In course of time, as we have seen, the old Mining Company passed into foreign hands under circumstances to which the Chinese frankly objected. The latter felt they had lost an invaluable treasure. From their point of view they certainly had, but it was to benefit them later on. Their obstructing methods were, nevertheless, set in motion. They began by taking commercial action—setting up a rival in the Lanchow Mining Company.

But though that was a thorn in the flesh, no purely Chinese company could be victorious against British management. Meanwhile, the Chinese Government Railway had become quite separated from the new Chinese Engineering and Mining Company, and it was very desirable, from the latter's point of view, that proper boundaries should be established over their now disputed lands.

An attempt was therefore made to bring the railways to a settlement. But the railways were under Chinese directors, and delay after delay occurred. Again and again similar attempts were made. Again and again letters were exchanged; white men thought they were nearing a settlement; and the matter was indefinitely put off.

If the Kailan Amalgamation had not been formed, we may reasonably doubt whether settlement would ever have been effected. For years the matter dragged on without anything definite being done.

It simply shows how clever Chinese officials are at harassing tactics. So long as the Engineering and Mining Company represented a foreign mining body in China, it was part of the Chinese policy to worry and harass that foreign body.

Directly the Kailan Mining Administration was formed Chinese interests in the concern became more marked, because half its business

was purely Chinese business, and because half the members of its Deliberating Board were Chinese.

In this way the Mining Company acquired an influence with the Chinese official classes for which it had long sighed in vain. Now the Kailan Mining Administration looms large on the Chinese industrial horizon. It is hoped that this story will shed some light upon events which are passing in China as a whole. In the writer's humble opinion the future is perfectly clear.

But any picture becomes confusing if you stand too near the canvas. Try to read big events through smaller events, and you will see the whole country unrolling before your eyes as though it were pictured on a map. Take the history of the Chinese Engineering and Mining Company as your map, and the great industrial China of to-morrow will be observed more distinctly.

CHAPTER V

CHINA'S FUTURE LIVERPOOL

CHINWANGTAO is the only port in North China exclusively devoted to coal. But a chapter on Chinwangtao's future, though apparently a simple matter, is not unlike speculating upon the brood which will emerge from a sitting of eggs before our willing hen has had time to show what her incubating powers may be. In this case Chinwangtao represents the sitting of eggs; a kindly fate takes the place of our willing hen; whilst a big busy port situated on the western shore of the Gulf of Liaotung completes our analogy to show what Chinwangtao will some day surely become, as soon as its period of incubation is over.

We propose to speculate, if you will, upon the sea-port's rosy future. We are, fortunately, able to do this with some success, owing to two causes which have combined to reduce its chances of failure to a minimum. One of these causes is so powerful that it

has never been known to fail since the world began to spin. It has always acted, and it will continue to do so in the present as in the past—its name is geography, for Chinwangtao is remarkably well situated from a purely geographical point of view.

The second cause is more local, though no less powerful. Its potentiality lies hid in the name of the Kailan Mining Administration. Were time and space available reams could be written about this Administration, about the numbers of natives employed at the mines, about their equipment and so on; but as the port of Chinwangtao is the special theme of the present chapter, we will confine ourselves principally to shipping.

At its inception, then, the Mining Company had six steamers, with a total carrying capacity of 8,000 tons, but four of these steamers have been disposed of within the last eleven years. As an off-set to this decrease, one new vessel has been built, with a carrying capacity of 3,150 tons, whilst several ships on long-time charters have been taken over, amounting to 11,500 tons, which bring the total tonnage at the Ping Line's disposal up to 17,000 tons.

These steamers principally carry the Administration's products to the southern markets, returning in most cases with a general cargo from Hong Kong or Shanghai to Tientsin or

Chinwangtao. In certain cases they bring back no cargo at all, in consequence of an agreement which forbids them doing so. At the latter port there is berthing accommodation for seven ships alongside either the pier or the breakwater, where cargoes can be loaded or unloaded with the utmost despatch.

As new markets are opened up, we may expect to see the Administration providing itself with additional tonnage, because it has lately stumbled upon the markets of Java and the Philippine Islands. There good coal, good fire-bricks and good tiles are already in demand.

The Administration is, so to speak, on the spot to supply all these good things. It can also supply them at a quality little behind that of English products, but at an infinitely more reasonable price, because propinquity and cheap labour enable it to do so.

In time, therefore, the Ping Line fleet will increase in proportion to the growth of this southern trade, and even the eastern shores of the Pacific may come within its sphere of operations in the course of a few years. The world is getting smaller through mobility's increase; but the Kailan Administration's world is getting larger. The total exports of coal or other of the company's products from the ports of Chinwangtao and

Tongku during the past seven years have been as follows:

	Tons.
1905 . . .	173,000
1906 . . .	175,000
1907 . . .	188,000
1908 . . .	239,000
1909 . . .	405,000
1910 . . .	403,000
1911 . . .	445,000

These figures speak for themselves, and require no comment, but they should be carefully noted in view of the big rise which has taken place in so short a space of time.

Hitherto the port's record for loading has been 2,900 tons of coal in fourteen and a half hours—a speed which tells its own tale of modern appliances, of quick handling and of good management. But apart from the assistance rendered by powerful cranes or up-to-date derricks, the truck-lines stretching along the top of the breakwater are so arranged that a ship may be loaded and unloaded at the same moment if necessity shall demand such expedition.

As a port Chinwangtao is unquestionably coming rapidly to the front, for the Messageries Maritimes frequently call there, as did also the Chargeurs Réunis before the suspension of their Round the World Ser-

vice. The H. A. Line, the P. & O., the Blue Funnel, and other British lines have called in the past with large inward cargoes for points on the Chinese Government railways, besides which steamers from Japan call there regularly, transporting about 100,000 tons of coal annually for coke-making purposes.

Chinwangtao is situated on the western coast of the Gulf of Liaotung, lat. 39° 55′ N., long. 119° 38′ E. It is a port of great importance to Oregon lumber-shippers trading with North China, owing to its facilities for bunkering. It is only twelve hours from Taku Bar, and within easy reach of Tsingtau, Chefoo, Newchwang, and other northern ports.

The harbour offers safe anchorage to steamers drawing 22 ft. of water, and even vessels of deeper draught may be grounded without injury upon its soft mud bottom. It can be stated without exaggeration that vessels drawing as much as 24 ft. have frequently discharged with safety.

In a word, Chinwangtao is the ideal harbour in North China for ocean-going steamers, and when its great advantages are more generally known it cannot fail to become a place of the very first importance. It is only five miles from the main Peking–Mukden track of the Chinese Government railways. With these it is connected at Tongho by a five-mile branch

line. Goods can thus be loaded straight from ships into cars and transported in every direction with a minimum of man-handling, with a minimum of loss incidental to theft or breakage, and with a minimum of time wasted. As the world spins on faster and faster we cannot fail to see how rapidly time is being churned into money, and therefore the truism that " time saved is money saved " applies with great effect to this new-born Liverpool of North China.

But—and there is always a little " but," or some other sort of fly in the ointment—Dalny, as a rival to Chinwangtao, must not be lost sight of. As we have seen, Chinwangtao is only five miles from the main track of the Chinese Government Peking–Mukden railway-line, but it is not the property of that line. Dalny, on the other hand, is controlled by the Southern Manchurian Railway, which owns the Fushun Collieries.

Herein lies a great hindrance to the rapid rise of Chinwangtao. When, however, the Pekin–Jehol–Mukden line becomes a reality, it cannot be doubted that a line will eventually join up Jehol and Chinwangtao. When this happens, Chinwangtao's progress will receive a considerable acceleration of momentum, for the country between Jehol and the sea is rich.

At present Dalny is in a strong position. It taps a rich bean country. It is a big, flourishing port. It has no railway obstruction to contend with. Its waters are ice-free and deep. These matters will have a great bearing upon the control of the China Sea's coal-trade when the rivalry between British- and Japanese-controlled mines becomes acute.

If we set Dalny aside, it will be evident that Chinwangtao has everything in its favour, quite apart from any consideration of its sands or advantages as a summer sea-side resort.

On these sands, perhaps, the word Newcastle will be written by the finger of Time some day, or maybe our ears can already distinguish the new-born cry of some mighty Oriental Liverpool, bustling and busy, a centrifugal and centripetal force for the ships of the China seas.

If Chinwangtao's propinquity to the mines, to the corn-lands of Manchuria, and to the Chinese Government railways cannot offer it these rosy dreams, we know of no place in North China, except Dalny, which can aspire to them, seeing that Chinwangtao is one of the few northern ports which is not ice-bound and idle during the long, grey winter months. Hitherto the Ping Line's port has been more than a little hampered

by several causes. Some of these are capable of immediate remedy. Others can only be removed by the healing hand of time. Into this latter category we must put, first of all, the juxtaposition of Tientsin, which enjoys the advantage of being at the junction not only of the railways, but also of the waterways of North China.

This juxtaposition of the fast-growing river port has certainly dwarfed the rise of the sea-port, and made it appear to the casual observer as though the latter were almost standing still. It is, however, a simple matter to prove the fallacy of that view, as well as to show by hard concrete facts that the rapid development of Chinwangtao is simply a question of time plus judicious handling. Let us suppose that in the near future ocean-going steamers will find it cheaper and more expeditious for them to come straight to Chinwangtao instead of stopping at Shanghai; will they not come to the northern port? Let us suppose Chinwangtao takes advantage of its geographical position to sap from Newchwang the southern import trade which passes Tientsin. In conjunction with the railway it could do so and will do so, but the railway is not going to come to terms until Chinwangtao compels it to do so by becoming more active through increased trade. This increased trade depends largely on the ability

of the port authorities to attract more shipping.

Then we shall see the railway offering in return some of the export trade, beans, etc., —which of late years has left the country through Newchwang or Dalny. Then we shall see Chinwangtao fulfilling some of the dreams we have already foreshadowed; for it now handles the entire traffic of the Kailan Mines, which puts it in a very strong position; besides which it enjoys the extra advantage of coaling facilities superior to any other harbour on the whole China coast.

On the other hand, some of the oil import trade has lately migrated to Newchwang, because the Standard Oil Company, in its own interests, sells its oil cheaper there than at any other port, whilst the Manchurian grain export trade has never yet been attracted to Chinwangtao, for the simple reason that there are no buyers on the spot there. This, no doubt, has been partly due to Chinwangtao having hitherto been a foreign-managed port instead of a Chinese-foreign managed port.

But for any big undertaking to succeed in China, Chinese and foreigners must be associated. The foreigner stops a leakage of expenditure; the Chinese greases the wheels. Neither can stand in China without the other's help, but together they become as creative as they are dynamic.

Now the awakening of Chinwangtao will come about through interesting Chinese buyers and merchants in the port, as much as through attracting ocean-going vessels to make use of its harbour and piers. But every catalysis depends upon the introduction of the catalyst, and so it is impossible to prophesy exactly when the transformation from slow growth to roaring activity will take place in this ice-free northern seaport. When that good moment arrives, Chinwangtao will presumably still have the double driving forces of the Kailan Mining Administration and of geography behind it.

It will become a residential place. Money will circulate in proportion as business people come to live within a three-mile radius of its bustling quays. And, lastly, riparian Tientsin will find herself, before very long, making a curtsy to her Cinderella sister of the Gulf of Liaotung. These being our prognostications for the future, let us stroll down to the breakwater and see what there is to be seen in Chinwangtao to-day.

It is a raw-cold morning in November, and amongst the other shipping we espy one vessel—a P. & O. flying the blue peter—which attracts our curiosity more than a little. It attracts us because we never expected to see it there, and because there is an air about it utterly unlike that of the three

or four merchant steamers loading up with coal or brick or some other cargo for warmer southern ports. It is a hired transport, and on hurrying towards her before she sails we arrive just in time to say good-bye to a regiment of British "Tommies," who are evidently very loth to turn their backs for ever upon the flowery land and upon the American friends they made there. We wave our handkerchiefs. The vessel glides off.

Then we turn to examine the breakwater upon which we are standing, and find it runs out first of all 650 ft. at right-angles to the shore, after which it curves westward to a radius of 750 ft., its extremity being 980 ft. long and tangential to this curve. The first 650 ft. is a rubble embankment, wide enough for two railway-tracks laid to 14-foot centres. The remaining portion is a framed wooden structure with parallel rows of piles put down every 10 ft. at right-angles to the centre line of the breakwater. On the inner side, steel joist piles, spliced to jarrah tops to form the superstructure, are spaced at 5-foot centres and driven down to rock through 16 ft. of yellow clay, sand, and decomposed rock.

Immediately behind these piles we notice a number of 80 lb. steel rail piles driven along the face to retain the rubble stonework, which forms the hearting of the structure. The piles are braced together, and form a strong

support to the railway tracks which run along the top of the breakwater on stout longitudinal timbers. At the quay-level this breakwater is 66 ft. wide. On the seaward side we notice it has a flat rubble slope covered with 5-ton concrete blocks, serving, doubtless, as a protection against heavy gales. True, the work as a whole does not appeal very strongly to our æsthetic senses, but we feel, nevertheless, that it is durable, strong, and well equipped with cranes and trollies to ensure rapidity in loading any vessels which may take up their berths alongside.

Even as we stand watching, two or three vessels are unloading close at hand, whilst another is being loaded at the structure just across the harbour, which we rightly take to be the pier. From where we are standing it would seem as though this pier were constructed very similarly to the breakwater. It starts at a point 400 ft. to the north-west of the landward end of the breakwater, and projects out in a south-westerly direction into the sea. Between the breakwater and this pier the harbour mouth is 907 ft. across, and the area of water embayed between these two structures is altogether something nearly approaching thirty acres of smooth anchorage, safe for loading, safe for unloading, and very attractive to the storm-tossed skipper who has all but lost his ship.

We are quite satisfied with what we have seen so far, but at the same time we came out to ask questions, and are not prepared to go back to breakfast until we have gleaned all the information there is to be had. "I wonder what the bottom of the harbour consists of?" you ask, as we gaze thoughtfully down at the sluggish November waters. We thereupon make inquiries, and are told that the depth in the approaches is 22 ft., gradually shoaling to 20 ft. at low water, whilst the sea-bottom has all over it a layer of a foot or more of very soft mud. Beneath this layer of very soft mud there are various strata, commencing with 5 ft. of mud and yellow clay; then come 2 ft. of stiff yellow clay and stones; then 5 ft. of very soft clay and sand; and finally 2 ft 6 in. of decomposed rock and lime-stone. Inside the harbour the depth varies from 18 ft. to 22 ft. at low water, but the tides are weak and irregular, seldom exceeding half a knot per hour, whilst the rise of the tide is usually somewhere well between 5 and 7 ft.

Our informant goes on to tell us that there is no necessity to make use of buoys, because vessels can safely lie alongside the wharf and pier, as indeed we see for ourselves they are doing.

The only dredger employed is a small "Priestman's Grab." This works for only

nine months of the year—from the middle of March to the middle of December—and during this period the estimated quantity of material dredged is 3,500 cubic yards per month, at a cost of about 21 Mexican cents per cubic yard. At present the breakwater can accommodate altogether five ships, the available space for berthing being as follows :

Berth No. 3, for vessels 275 ft. long, has 18 ft. at low water.

Berth No. 4, for vessels 330 ft. long, has 20 ft. at low water.

Berth No. 5, for vessels 500 ft. long, has 21 ft. at low water.

Berths Nos. 6 and 7, for vessels 600 ft. long, have 21 ft. at low water.

The pier, on the other hand, is less commodious, and can only accommodate two vessels of 310 ft., one on its outer and one on its inner faces. These two berths are numbered respectively No. 1 and No. 2.

They have each, approximately, 18 ft. at low water, but all the berthing places enjoy the extra advantage of a soft mud bottom, so that vessels of even greater depth can face the possibility of grounding at low tide without fear of getting their bottoms knocked out by hard, unsympathetic rocks.

However, even this assurance would seem hardly to satisfy the present energetic owners of the port, for they are now effecting its

improvement by dredging the harbour approach to 23 ft., and by deepening the berths alongside the breakwater to 25 ft. at low water. Such a scheme will increase more than ever the facilities for berthing steamers promptly.

The outer berths will then be occupied by ocean-going steamers and worked independently, without causing delay or inconvenience to vessels berthed in the inner ones. Then again, the harbour is so well protected that berthing operations can always be carried on in any ordinary weather.

"What, then," you naturally ask, "is to prevent this place going ahead?"

The answer is: "Nothing, except Dalny," and in time to come there will probably be room for both ports to expand side by side.

Chinwangtao is well situated midway between Mukden and Peking. Newchwang lies to the eastward at a distance of 222 miles. Tongshan and Tientsin lie to the west; the former at a distance of 84 miles, while the latter is 165 miles away, measuring space by the only long-distance measure left to us, by mobility—that is to say, by the railway-line.

Now we must wait for Chinwangtao to increase in importance and develop in proportion to the growth of factories and trade and industries along the whole coast-land from Taku to Shanhaikwan. Along that

coast-land stretches the biggest active coal-field of North China, and we all know from studying the development of other countries what wonderful powers coal possesses for incubating new industries and for encouraging new factories.

We all know equally well that industry and commerce go hand in hand. Therefore we may prophesy once more, as we hinted before, the port of Chinwangtao is going to become not only the centrifugal, but also the centripetal commercial force for the ships of the North China seas, though how long the egg will take to incubate we cannot at present tell.

CHAPTER VI

TO THE CONCESSION-HUNTER

It may be an unpleasant reflection, but it is none the less a fact, that the performance of hard work in this world does not usually carry with it the acquisition of riches. The hard worker will usually make a living, but that is all. It is a smart deal done once, or may be two or three strokes of luck, which bring a man real wealth. In this chapter the writer proposes to address himself to the man who knows very little about coal-mining, but who has seen his friends getting fat on this or that mining concession, and feels he would like to try his fortune, too, if only he knew the way to set about it.

If it be true that new Chinese Government regulations for the granting of concessions may be expected any day, then we shall probably see young men coming out to China to secure mining land, and the few hints given here may be found of service to them. But we must first take a peep at China's present mining laws.

In no part of the world have mining laws been framed on such comic-opera lines. They aim at "saving the Chinaman's face" in a way which is perfectly ludicrous. At the present moment there is a prospect of change, but some relics of the old system will probably hamper would-be concessionaires for many years to come.

Hitherto China has always aimed at deceiving herself that the control of any mining proposition conducted within her territories remains in Chinese hands. On account of this deception she has insisted that applications for a mining concession should always apportion at least 60% of the capital involved to a Chinese partner. This, of course, has meant that a European could only obtain a mining concession in China through co-operation with some Chinese gentleman upon whom he could rely.

It takes no stretch of imagination to suppose that the European has been accustomed to say, "This regulation of yours is all very well, but I do not put any money into a Chinese mine unless I have control." The Chinese partner smiles and replies, "Oh, that can be easily managed," and it is managed, and has been managed, but this is the way it is done.

A Chinese lawyer is sent for, and he draws up a petition in Chinese, setting forth the

names of the two applicants—European and Chinese. He states the shares they are going to have in the prospective undertaking—60% to the Chinese and 40% to the European. He also gives a description and map of the property applied for. A copy of this document in English is sent to the British Minister, or, supposing the European to be French, a copy in French is sent to the French Minister. Then the Chinese applicant must journey up to Peking with a good bundle of dollar-notes in his hand.

He presents himself at the Board of Industry and Agriculture, and either secures his concession and forgets to bring away his notes, or he fails in his mission, and remembers to bring the money away with him. If he secures the concession, the comic-opera period is over.

The European concessionaire sends for a European lawyer, who draws up a binding contract between both partners. It is deliberately stated in this contract that the capital is to be equally divided between the applicants, not in any proportion of 60 to 40 favourable to the Chinese. This contract stipulates for the European's control, and, if necessary, it may further stipulate that, in the event of any disagreement arising between the two parties, only this contract is to be considered finally binding.

After both parties have formally signed this document, another journey is made to Peking, where this contract is handed to the British or French Minister, as the case may be. He compares the contract with the original petition, asking for the concession, and, if he be new to China, perhaps he may raise his eyebrows when he sees the discrepancies between these interesting papers. If he be an old hand at Chinese diplomacy, he will take these little differences as a matter of course.

During the last few months, so we are told, a distinct change has come over these methods in that on three recent occasions the Chinese Government has waived its hollow "face-saving" formula of the 60 to 40% control. But this departure, if true, is being kept secret, and it is not possible absolutely to vouch for its authenticity.

In the past it has very frequently happened that the Chinese concessionaire was simply a figure-head from beginning to end. In most cases he has contributed no money whatsoever towards the concession's development when he has got it. In other cases, he may possibly have contributed a portion.

But we must not move too fast. For the present we are in the position of the young man freshly arrived off the steamer who knows very little about the country he has come to.

His first object will naturally be to get into touch with the right people, both Chinese and foreigners, who can tell him of likely ground in the vicinity of the place he chooses for his field of action. For instance, there is much valuable coal land in the hills west of Peking, which is only awaiting development.

If a line of railway is built between Peking and Jehol there is yet more. We would not recommend anybody to go too far inland, even if there should be railway facilities near a promising property, because the hostility of the local gentry may prevent work being done after the concession is actually obtained.

In the interim, while our friend is making the acquaintance of white men and Chinese, he might spend a portion of his time on excursions into the country, accompanied by a Chinese teacher.

After six months of fairly steady work, he will have obtained a smattering of the language, and can then make other trips by himself. In course of time he will hit upon something he really believes to be promising, or maybe some Chinese country friends will ask him to take up a concession upon land they own. He accordingly secures an exploring permit and gets the best foreign expert he can find to report upon the ground in question. This expert will make a survey, and will give

as much information as possible. This done, our young friend is able to go through the procedure already indicated of getting a joint concession for himself and a Chinese partner.

Of course, all this demands the expenditure of some time and some money, but the same thing must be said of nearly every other walk of life in which a man seeks rapid wealth.

This brings us to the point where the concession has actually been obtained, and it then becomes a question of selling the mining rights to a syndicate formed to work the property, or of working the property himself. In either case a very careful consideration of local factors comes into the calculation at once. How many coal-seams are there ? and how many of them are going to be payable ?

In all likelihood the coal mine is an old one. In this case the workings will probably have extended into the coal, so that it has become badly disintegrated. In some places the full thickness of the coal may not have been mined. In other places the little persistence of the Chinese workings in certain beds may point to their relative unimportance. Presumably analyses and practical tests will already have been made, and it may be possible to class the coal either as anthracite or as a good steaming household coal that makes good coke. If the mine is an old one,

there will be one or more shafts of a diameter of 8 or 9 ft., and they will be found to incline at some angle of slope, but they will not be vertical, for John Chinaman, the miner, has a great objection to entering a hole in the ground from which he cannot run out easily should trouble of any description overtake him.

At the bottom of the shaft there is sure to be a main tunnel, about 6 ft. in cross-section, running along the coal-bed in a winding sort of way. At irregular intervals, branching off from this main tunnel, there will be side tunnels.

The Chinese, as a rule, work about half the thickness of coal in any one tunnel. These tunnels are then allowed to cave, when new tunnels are driven into the caved coal-bed. By this process most of the coal may be removed at certain spots. As a rule, the coal is cut and broken down from the heading by picks, after which it is shovelled into baskets, which may be pushed along the coal-dirt roadway in primitive trucks until the shaft is reached. Here the coal is probably thrown into a bigger basket, and hauled to the surface by a windlass worked by man-power.

In a mine of this description the questions of drainage, of pumping, and of timbering may become of just as much importance as

the question of building a branch line to the nearest railway.

There is sure to be a little water flowing into the shaft, so a pumping plant of some description is an absolute necessity. Mechanical ventilation will also have to be carefully considered.

If the surrounding country is sparsely covered with trees, the expenses of mining this property will mount up considerably, because timber would not only be expensive to buy, but the cost of its transport would be a heavy charge on the concessionaire's pocket.

Should a branch-line be found impracticable, as often happens in hilly country, it might be possible to run an aerial rope-way to the foot of the hills. In addition to the consideration of all the items enumerated above, sight must not be lost of the local markets, the proximity to the sea, the local labour supply, the cost of labour, the selling-price of coal in the nearest market, and the minimum foreign staff which will be necessary to exploit the concession to its fullest extent.

After all these matters have been carefully gone into, one or two small considerations will be found to be operating to the mine-owner's advantage which many a mine-owner on the South Wales coal-fields would gladly welcome if he had the chance. For example, the concessionaire is not hampered by govern-

ment mining inspectors, nor by Acts of Parliament enjoining an eight-hours day or compensation for total or partial disablement. It is necessary, of course, to keep on good terms with the local peasantry, but John Chinaman is not a difficult person to handle on the whole. He is good-natured as a rule, and firmness, justice, and the air of a Grand Seigneur are influences he always respects.

It is never necessary to sink two shafts, because China has not yet had her Hartley disaster. In a mining sense she is hardly yet out of her cradle. All that is necessary is one shaft sunk at an inclined angle. A hundred feet of such a shaft, rectangular, 9 ft. by 8 ft., might cost perhaps $2,000. Prices naturally vary very much with the locality. In Shantung to sink a shaft 8 ft. by 7 ft. the contractor usually gets from 13 to 14 dollars per foot sunk.

A small winding engine with a pumping plant completes the list of urgent requirements, but, of course, it is impossible to give any estimate for these items until it be known what sort of machinery it is proposed to set up. Native-worked mines usually dispense with the pump. Instead they evacuate what water comes into the shaft by bailing it up by a chain of men using leather buckets from one little stage to another.

For working on quite a small scale a rough order for machinery and materials might read somewhat as follows :

	Cost Tls.
1 small hoisting-engine, 10-in. diam., able to raise $1\frac{1}{2}$ tons .	1,500
1 9-in. pump for double action .	1,500
1 5-ft. diam. steel fan . . .	1,750
1 8-ft. lathe	500
1 drilling-machine . . .	500
2 coils of $\frac{3}{4}$-in. steel ropes 100 shovels . . 100 coal-picks . . 50 stone-picks . . 50 5-lb. hammers . 50 8-lb. hammers . 15 10-lb. hammers . Anvils . . . Angle-iron . . . Octagon-iron . . 4 signal-bells . . 3 lifting-jacks . . 6 crow-bars . .	2,500
Timbers and materials . .	2,000
Total cost	10,250

These figures are only inserted to enable the reader to form a rough idea of the cost of working quite a small Chinese coal proposition. They must be taken as a guide,

and that is all. Now let us turn to other considerations.

Rumour has decided that Eous Chang and Liu Chien have been discussing plans for a systematic exploitation of China's latent mineral resources. They are, of course, without capital with which to do anything very much, and the lines upon which they propose setting about their project seem still to savour of the determination to keep Chinese mining very much in Chinese hands; but it is satisfactory to know that the Board of Agriculture and Industry is at last making a beginning.

Three organizations are now being formed—namely, the Mining Academy, the Prospecting Corps, and the National Mining Association.

The Mining Academy will be attached to the Mining Department of the Ministry of Industry and Commerce. It will take students who have passed the middle school course, and after a three years' training they will be sent out to complete their studies in the field.

The Geology Department of the Peking University will co-operate with this academy in the training of these young mining experts. It is proposed that the academy shall have one president and four professors. Two of these are to be foreigners and two Chinese. For half the year these professors are to

teach, and the other half-year is to be spent by them in active prospecting.

Thirty students will begin their studies at this academy as soon as practicable. They will be divided into two classes—the mining class and the geology class. Students who graduate will be granted the degree of M.E., and will be entitled to join the prospecting corps.

We may suppose that the title M.E. represents that most untruthful person—the mining expert. If this be so, it is to be hoped these young Chinese gentlemen will be carefully instructed in the meaning of the letters TRUTH. No nation hitherto has been able to produce a mining expert of the George Washington type. If China can produce this type from her young scholars, she will have performed a bigger work than the building of the great wall.

The president and four professors of the Mining Academy will be the heads of the prospecting corps. The object of this corps is to instruct graduates in actual field-work. They are to prospect in the various provinces, send in reports, and draw up plans for developing mines. These reports will be rendered to the Chief of the Mining Department for consideration.

When these arrangements are in proper working order, there will always be two pro-

fessors in the field, and close touch will thus be kept between the academy and the prospecting corps.

Of course, the first important matter for China to take in hand before doing anything else is to make a really reliable geological survey. Nothing of the kind has yet been attempted, and the need for it is most urgent. For military purposes, for railway construction, and for commercial enterprise such a work is of the first importance.

This undertaking is also being carefully considered, but it is extremely likely that a scarcity of funds may delay its completion for some considerable time.

In addition to the academy and the prospecting corps a National Mining Association is being formed. This must not be confused with the Mining Union Association of China, which is also an institution of recent birth whereby certain mining interests, including the Kailan Mining Administration, the Ching Hsing Mines, the Pinghsiang (Han Yeh Ping) Collieries, and half-a-dozen others formed themselves into a sort of Chamber of Mines to look after their own interests. In course of time this Association may possibly be absorbed within the National Mining Association, or perhaps it may not. It was inaugurated on March 2nd, 1913. But according to present arrangements the members of the

National Mining Association will be drawn from the proprietors of mining companies, those who are engaged in mining work, returned students with the M.E. degree, and capitalists or other parties who are in close connection with mining enterprises.

Only within the last year or two have Chinese students turned their attention to mining. Before then they hastened to become railway engineers, but they forgot medicine and mining. Lately they have been wanting to become mining engineers, and it may be interesting to see where it is possible for a Chinese boy to get some initial technical instruction.

At the moment there are two particularly good places—Hongkong University and the Tongshan Engineering College. At both these places the facilities for getting a technical education in mining and engineering are almost as good as in England.

One is in Chili, and the other, of course, is at Hongkong. The Tongshan College is right on the mines. The instructors are of British, Australian and American nationality, the students pay a small fee, the mines contribute a portion of the expenses, and the Provincial Government pays the rest.

At Shanghai there are several industrial schools. At Tientsin there are several more. There is also the Peiyang University. At

Hankow there is a scheme to establish the Central University of China, and certain nations are considering the advisability of diverting the sums due to them on account of the Boxer Indemnity to this good purpose. But Hankow itself has not yet been rebuilt, although the Robert Dollar Company contracted to lend money for that purpose. At Taiyuanfu there is also a missionary university, where a first-class technical education can be obtained by the budding Chinese mining engineer.

Owing to lack of funds during the late revolutionary disturbances, many educational establishments in various parts of China closed their doors, but with the return of peace lost educational ground will soon be made up, and more schools, colleges, and universities will help to unlock new mines.

We have been compelled to digress into these by-paths, because it was necessary that the man who wishes to mine in China should know something about them. In the meantime we will imagine that our young friend the concessionaire has been working his coal concession on a small scale at a fair profit for one or two years. He has got it into thorough working order, but his coal sales have only been local sales. He now thinks of turning the mine over to a bigger company, with himself as general manager.

His European friends help him to find the money, debentures are issued, and he directs his attention to the oversea coal market, for therein lie the big profits of the Chinese coal-mining fraternity. He will have to think of a railway-siding from the shafts to the nearest railway. This little line must be of the same gauge as the railway upon which his enterprise depends, in order that the coal-trucks may run straight through from the pits to the port selected for embarkation.

The Chinese Railway Company will build this siding, and will charge for it a yearly rent of fifty cents per foot run. It is particularly important that the coal-trucks should run straight through to the ship, because Chinese coal is more friable than English coal, and it consequently depreciates in value with every handling it receives. After the railway-siding, agencies in the coast ports and ships must be thought of.

The agency question is a simple matter, but the shipping policy is not so simple. It requires keen insight into the future to be a good shipping man. Of course, a line of shipping will have to be started whether the company decides to hire ships or to run its own vessels. In the former case, the freight market must be carefully looked into, or very heavy losses may result. If freights are abnormally high, it would be folly to

charter a vessel at a boom price on a five years' charter, for instance. And yet these mistakes are sometimes made by the inexperienced shipping man.

Then there may be rivalry with other shipping firms if passengers or cargo are carried to pay the running expenses of ships returning empty after having discharged their coal.

It is customary on the China coast for every vessel to carry a Chinese compradore, who is paid two or three hundred dollars a month. Out of this sum he pays any claims for damaged cargo which may be lodged against his company. But it often happens that the claims he has to meet exceed the amount of his salary. In any other country in the world ruin would stare the poor man in the face. But in China it is otherwise. Instead of becoming poor and worried, this Chinaman becomes richer and fatter with every trip he makes, so that it may be safely inferred he finds ample opportunity for "squeeze."

Local conditions are very important to the shipping man in China. Just as bad roads affect coal sales by becoming impassable after heavy rain, so bars at the mouths of rivers may become impassable to ships.

The most suitable type of vessel on the China coast would be one about 280 ft. long,

and it should be able to carry as much as possible on a 14-ft. draught. The cost of running such a vessel as this might amount to anything from £30 to £45 per day. In addition to all these shipping considerations a scheme of afforestation may have to be undertaken to cater for the mine's timbering requirements as its operations expand.

A very interesting and very big experiment of this kind was begun by the Kailan Administration in 1909. It was undertaken with a view to supplying the timber-poles required for props in the workings underground, and the results are likely to prove highly satisfactory. Before many years are over the mines will be independent of Japanese timber, because the huge scheme will have enabled them to use their own poles.

When 10,000,000 trees are growing, a sufficient supply will have been secured. Each tree is estimated to produce two 5 ft. by 5 in. poles every eight years. That means one pole every four years, or 2,500,000 poles per annum.

At the present time this Administration obtains nearly all its timber from Japan, but then it has only about 3,000,000 young trees growing. These are nearly all acacias. Alders were tried at first, but they mostly died, in consequence of having been planted on the Hsinho estate, which is low-lying and near

the sea. There was probably salt in the soil, and water was reached within 1 ft. of the surface.

The total area planted in the five years since 1909 has been over 800 acres. But 100 of these have been spread over the unsuitable soil at Hsinho. The percentage of trees lost after planting during this period speaks well for China's agricultural future.

At places other than

Hsinho it was only . .	8·40%
At Hsinho it was . .	59·77%
Or altogether for all places	23·56%

Of course, land which is given over to afforestation ceases to bring in rents from farmers, but this Kailan scheme is sure to be a financial success, in spite of that initial loss of revenue. The exact figures of cost would sound cheap to English ears, but then China is a land of very cheap labour.

In any scheme of this kind where acacia-trees are being cultivated, they should be planted in rows, at a distance of 1·40 metres from furrow to furrow, and at 70 centimetres from one another along each furrow. Close planting makes the stems grow straight, and for mining purposes a big-girthed pole is not required.

A Chinese labourer will turn up furrows over 100 square metres of land at a wage varying

between 65 cents and $1.00 for the strip, the furrows being 50 centimetres wide and 50 centimetres deep. Would an English labourer do as much digging as this for 1*s.* 6*d.*? In places where trees are to be planted in holes, one tree should be allotted to every square metre, but where the soil is poor a rather larger space should be allowed.

After cutting down the poles, both alders and acacias grow upwards again from the trunk root, so that once an afforestation system has been properly organized there should always be an abundance of poles available.

A scheme of this kind may or may not have to be considered by the mining man in China. It depends entirely upon the local supply available near his mine. At the same time, similar schemes are being thought of by men of big ideas who are contemplating China's development in directions not necessarily dependent on mining.

River conservancies and dredging companies may have their duties sensibly lightened by afforestation. Mud-bars at river-mouths may disappear altogether through the agency of afforestation.

Under present conditions rivers like the Huang-Ho periodically overflow their banks. They do this because the river-bed is constantly rising inch by inch, year after year.

It rises in proportion to the amount of silt swept down by the current.

The native agriculturists who are tempted by its rich riparian soil greedily cultivate every foot of land along its course, but they are compelled to bank the stream. In time the bed begins to silt up; the forceful current is not abated; but the water-level mounts higher and higher above the populous surrounding corn-fields. Yet the banking goes on as before until it reaches a pitch where man can do no more. Then comes the cataclysm. The mighty flood of waters breaks down the barrier, a terrible disaster ensues, thousands of square miles are flooded, and hundreds of thousands of lives are sacrificed to the God of Chinese rivers and the urgency of profit to mankind. Even such farmers as survive this appalling catastrophe become homeless, because their houses have been swept away, whilst the floating bodies of men and cattle make China's friends feel sick at heart.

To avoid disasters of this nature, afforestation is being considered for the uplands, where these rivers rise. The schemes will cost money, no doubt, but the sums expended on them will be fractional in comparison to the awful destruction of property which periodically overtakes China now. There remain, however, one or two considerations which must

be taken into account by our friend the concessionaire when he mines his coal on a big scale, and these we have so far not touched upon. He will have to think of his mules underground. There may be forty or fifty of them, and they must all be fed. They must also be fed on a lavish scale, because it has been found by experience that a mule doing heavy work underground requires more food than an army ordnance mule working in the field.

The following daily ration table will show this difference in lbs.:

Kind of Food.	Mining Mule.	Ordnance Mule.
	lbs.	lbs.
Kaoliang (or big millet) . .	8·01	5·00
Black beans	·22	1·00
Bran	4·79	4·79
Straw	15·43	14·02
	28·45	24·81

In the case of one or two mules, the extra cost per mule might not seem high, but where fifty or sixty have to be catered for the forage bill mounts up to big figures at the end of a year. The cost of mule harness is also an unavoidable item of expenditure, for tramming work is necessarily hard upon it. In Chinese mines a wooden collar padded with straw is often used. This collar links up to the coal-truck with iron chains. But this

sort of harness is terribly clumsy, and Chinese miners are wonderfully fatalistic about letting their animals get chafed or galled.

When China settles down sufficiently to pass laws, it is to be hoped she will frame a Corrupt Practices Act. That, of course, is more urgently required than anything else, to prevent her national finances being undermined by corruption.

But of importance, if only of secondary importance, is a Cruelty to Animals Act. As John Chinaman can bear a great deal of pain and discomfort himself, he expects his domestic animals to take their share of these nasty things in equal proportion. Which of us has not seen him flogging a lame, half-starved pony in front of a heavy load, when the roads were almost impassable and the cart-wheels deep in the mud?

The lucky ones amongst us may have had the satisfaction of breaking a stick over the cruel driver's back, but, even so, it may be doubted whether the chastised one properly understands the chastiser's motives, even when the beating is accompanied by a scolding in good Chinese. The driver's back may be sore, but he goes away wondering why "him one piecee foreign devil wantchee beat one piecee Chineeman." He goes away wondering. His heart is as sore as his back.

CHAPTER VII

ON LOANING

EVENTS of recent date must surely have shown John Chinaman one or two things. He ought to have learnt, though he probably has not learnt, that double-dealing does not pay. The flotation of the Big Reconstruction Loan was very nearly wrecked by this little Chinese weakness. He ought to have learnt, though he probably has not learnt, that a Republican Government of an Oriental country is much more likely to squander public funds than is a monarchy. It stands to reason these young politicians who now rule China do not know from one day to another how long they will retain their places in office. Naturally they have to make hay while the sun shines, and they do.

John Chinaman also ought to have learnt, and this he probably has learnt, that he cannot develop his country in any way without foreign supervision. Money is the first necessity, and the foreigner is not going to lend his money except upon good security.

China's vast mineral wealth must remain locked in the earth's coffers until it becomes profitable for a mining company to open those coffers. This cannot happen until the construction of roads, railroads, or the betterment of river service shall facilitate transportation. This, again, requires capital—much capital—a vast amount of capital, and China's present financial position is more than a little grave. The foreigner is willing to lend, but he insists upon good interest for his money, and he further insists upon foreign supervision of the revenue upon which his loan is secured. Gradually all China's sources of revenue are coming to the scrutiny of foreign auditors, and probably it is better for the world's progress that this should be so.

There are two points, however, of which we must not lose sight: (1) China only concedes when she feels herself weak and unable to resist, and (2) China is a curious country, where the banker becomes a diplomat and the diplomat becomes a filibuster.

The result of this is that some nations allow their predatory or acquisitive instincts too much scope. When they see China turning this way, that way, and the other way for money, they come forward with cash to advance, but only on the most oppressive terms. They offer the sort of terms Messrs. Carlowitz are reported to have offered recently

to the Tutuh of Yunnan to find £3,000,000 at 5½% to construct a railway from Yunnanfu to some navigable point on the West River on condition that China should not only cede valuable mining rights along the route taken by that railway, but that Messrs. Krupp should also be granted the sole monopoly of supplying all the machinery, all the ammunition, and all weapons of war required by China for a space of twenty years. This may be business, but are we not entitled to think it is pushing a commercial advantage to the point of usury?

An even more glaring case was that of the Austrian loans contracted just when the Big Loan negotiations were going on, and signed on April 10th, 1913. The subsequent discovery of these loans by the bankers very nearly wrecked the Big Loan altogether, but they are interesting because they show the desperate straits of a government which was willing to pay large sums for torpedo-boats it did not require, in order to be able to handle a little ready money which it did require very badly. There were two agreements. They provided for loans of £2,000,000 and £1,200,000, respectively, in consideration of the purchase of twelve torpedo-boats from the Stalilmento Tecnico, Trieste, and of six torpedo-boat-destroyers from the Vulcan Shipbuilding Works, Stettin. It was agreed that

the torpedo-boats should cost £66,150 apiece, and the destroyers £145,057, the actual amount of cash to be paid to China being only £1,413,000, and the loans to carry 6%.

Here, again, we repeat this may be business, but it is not the attitude great western nations ought to adopt towards China. It is usury of a worse kind than that of the Jew money-lender whose extortion is limited by British law. If it is business, then it is business of a sort which cannot find favour with God, and ought not to find favour with man. This sort of thing utterly undermines China. At the present time China is at a great disadvantage. She has her faults, but she is trying to take her place. It is a time when Europe ought to try to make things easier for her, not to drive her to bankruptcy. The present Chinese Government has a millstone of debt about its neck, which was bequeathed to it by the late monarchy. The poor Empress Lung Yu received this precious heirloom from the "Old Budda" Tzu Hsi. She in her turn received it from her predecessor. Through prince after prince it swelled bigger and bigger, as the mountain-stream swells big and broad as it passes towards the sea.

When foreigners became the creditors, a definite stage was reached from which China's future could be seen. From a foreign in-

demnity or loan there could be no Oriental evasion, because foreigners have a way of extracting payment with a bayonet. At the same time, the porous consistency of China's Treasury channels could not be changed by the source from which her finances came. Whatever stream of money found its way into China's financial channels was always bound to show a leakage of more than 50%. Nobody could stop that leakage except foreigners themselves, and so the debts banked up under succeeding rulers. Each one, doubtless, longed to wipe out his debts with the sword. Each one might have arbitrarily refilled the Treasury in former days by robbing rich subjects, but neither Yuan Shih Kai nor the Old Budda were courageous enough flatly to repudiate China's debts even when the charge was extortionate.

The present Government is carried on by President Yuan and a number of young men who do not know how long they may remain in power. This surely is the very moment when extortion ought not to be practised by Christian nations of the West. China staggered through one great constitutional crisis, and is trying to recover from another. Her financial resources are almost at their last ebb. Salaries in Peking are in arrear as they were before the Big Loan was floated. The funds which accrued from that Loan

were quickly absorbed by urgent crying necessities. It is not a moment to clothe extortion in the garb of business and call it business. But, unfortunately, there are no magistrates to protect nations from usury as individuals are protected from it, and probably no power except British and American public opinion can protect China at the present juncture.

America, in particular, attracts mention, because in front of us we have the statement made by President Wilson at the time America refused to participate in the Big Loan of 1913. This statement may impute to China higher qualities than she really possesses, and President Wilson may be more or less unfamiliar with the real conditions of Peking, but at least this utterance breathes a spirit of sympathy, and echoes the truly honest kindness of heart which everybody knows the American people to possess. It may be given word for word that others may see what sort of ideas President Wilson had in his mind. Whether he was right or wrong in a business sense remains to be seen in years to come. That he was right on moral grounds is surely very evident, and it may come about that any petty advantage lost for the time being may be more than set-off by China's growing confidence in the United States.

" The last Administration, desiring to manifest America's good-will towards China, to

open the way for investment of American capital in China and, also, to share equally with other Powers political responsibility which might accompany the development of China's external relations, requested an American Group of capitalists to participate in the Reorganization Loan.

"Now the latter have approached the present Administration, saying if a similar request was made, then, and then only, would the Group continue active participation. The conditions of the Loan, however, include conditions embodying the imposition of antiquated taxes and supervision by foreign advisers. The present Administration regards this as touching the independence of China, and does not see the necessity for participation, even though America took no initiation therein.

"Moreover, the responsibility attaching to such a request, in case of eventualities, might lead to the necessity for forcible interference, not only in the financial, but also in the political affairs of China. Such is contrary to American national principles.

"This Administration, therefore, refused to request the Group to participate in the Loan. The United States Government, however, has no intention of preventing free development of the great Chinese nation. On the contrary, it intends to give whatever assistance is

possible, so far as is consistent with America's traditional policy.

"The awakening of the Chinese people in respect of liberal administration is the most significant event of modern times, and activities of the Chinese people in that direction have the sincere sympathy of the American people, who desire to participate in China's enormous, almost unrivalled resources for the good of the Chinese people and of the world at large. America is anxious to promote commercial relations between the two Republics, and recognizes that necessary legislation is lacking to give American residents in China banking facilities, thereby placing Americans in a remarkably unfavourable position compared with their competitors. We are ready to support legislation for laws to amend that defect.

"In short, our interests in China lie in the open door, with the object of cultivating friendship and mutual benefit."

This message of President Wilson puts forward America's attitude very clearly, and its general tone has a distinctly noble ring about it. It is the voice of the big Saint Bernard who is not going to snarl and squabble with the other dogs over a bone. It is the voice of a truly great people, but it must also be admitted England could not very easily have adopted the same attitude. Where

America is the last comer to China, England was the pioneer. It is to England's activities of years ago that China's awakening is primarily due, and although England could not have stood aside and refused to participate in this Loan as America did, British influence ought to take note of one or two things.

A reconstruction loan ought to carry as small a rate of interest as is reasonably possible. Safeguards in dealing with a country like China are, of course, absolutely necessary. But was it necessary for diplomats to haggle over the nationalities of the foreign advisers by whom China was prepared to be supervised?

What possible objection could any reasonable government have to Mr. Oiesen's supervision of the Salt Gabelle? Overtures were actually made to him, but the French Minister raised objections to his appointment because he was a Dane and Denmark was not a participant in the Loan. Yet Mr. Oiesen is one of the greatest ornaments of the Chinese Customs service and a Customs commissioner of many years' standing. No, about the whole question there was a grossly undignified wrangle to put this man or that man into a highly-paid position because this or that nation had contributed so much money. There was more than a suggestion of each nation's desire to profit by the transaction.

The consortium of bankers had done its best to come to an understanding with the Chinese Minister of Finance, and the terms of agreement were, in fact, practically settled, but directly diplomacy took a hand in the negotiations business went to the wall, and endless disagreement delayed the scheme for months.

The following letter from Chou Hsueh Hsi, the Minister of Finance, written by him to Mr. Hillier, the senior representative of the Sextuple Banks on March 11th, 1913, shows very clearly what the Chinese thought of it all. True, Chou is doubtless making the best of his case, but where there is smoke there is usually a fire, and certainly a big volume of smoke may be seen rising from the heart-burnings in this Chinese gentleman's letter.

(*Letter from H. E. the Hon. Chou Hsueh Hsi to E. G. Hillier, Esq., C.M.G., Senior Representative of the Sextuple Banks.*)

PEKING, *March 11th*, 1913.

"I have the honour to submit the following communication for your consideration:

"For nearly one year past negotiations have been carried on with you with a view to the obtaining of a comprehensive loan for meeting the financial requirements of our

country. The terms of the proposed agreement were discussed by the Cabinet, and their essential conditions, so far as they have been arranged, were submitted by me to the National Council, and, with the exception of two points—namely, the rate of interest and the price, which I modified on my own responsibility—were approved by the National Council.

"From the first it was my wish to contribute in every way to the maintenance of harmonious relations with the Sextuple Banks, and keeping this object in view I have yielded to the terms required by you to the utmost limit, in the hope that success might be attained, complete order in the country restored, essential reorganization effected, and permanent peace assured.

"Twice during these negotiations I have been placed in specially serious embarrassment. On the occasion of the end of the old year, modern style, and again at the end of the old year, old style. On both these occasions obligations had to be met. On the former of these occasions, feeling confident that my action in this emergency would be approved by the National Council, I asked the Cabinet to accept the responsibility of agreeing to the rate of interest of 5½% instead of 5%, which had been the original basis of our negotiations.

"On the 26th of January you wrote to

me that 'with the exceptions (namely, the price of issue of the Loan in London and a verbal alteration in Article 13) the text of the Loan Agreement to be signed is the same as that handed to you under letter of the 15th of January,' and you added that the signature of the Loan Agreement was subject to the fulfilment of the following condition:

"Notification to us by our respective ministers of the engagement under suitable contracts of acceptable foreigners for the posts of—

"Chief Inspector of the Salt Administration.

"Adviser to the Accounts and Audit Department.

"Director of the National Loans Department.

"On receipt of this letter I took the necessary steps to engage three foreigners of high integrity and tried experience to fill the three posts specified. These foreigners I selected by merit, not by nationality, after having made thorough inquiry into their merits. I had every reason to believe that the choice met with your approval, but on the 4th of February, when the Agreement was ready, and when you had already promised to sign it immediately and advance money at once, unexpected obstacles were created and your promise could not be fulfilled.

"On the 5th of February I wrote to you informing you that as the Agreement had not been signed I reserved the right to contract other loans elsewhere. You at once replied that 'so far as the Group's representatives are concerned, everything is now ready for signature, and the delay of which you complained is therefore clearly due to circumstances beyond our control and for which we cannot be held responsible.'

"On the 6th I again addressed a letter to you stating that I could not be held responsible for matters outside the scope of the Loan Agreement, and that since no agreement seems possible it was my duty to seek elsewhere for the advances of which we stood in need. Yet still I waited patiently, hoping that you might still conceive it reasonable that you should sign the contract which was 'ready for signature.'

"More than a month had passed since the date of signature originally proposed, when on March 3rd the intimation was conveyed to my Government that at a meeting of the six Powers it had been arranged that nationality was to be the determining factor in the engagement of the foreigners provided for in the Loan contract, and that an Englishman was to be appointed in the Salt Gabelle, with a German deputy, that the director of the National Loans Department was also

to be a German, but that in the Accounts and Audit Department there was to be one highly important change. Instead of one foreigner there were to be two—a Frenchman and a Russian. Such serious alterations were never contemplated or suggested in all the course of the negotiations.

"First by a succession of unreasonable delays, and, secondly, by the altered conditions required for the fulfilment of the Loan contract, I have been involved in difficulties which I have never contemplated as possible. China has been assailed in the European papers. We are charged with failing to fulfil our financial obligations by the very Powers whose action has prevented us from fulfilling our obligations. We are upbraided for not more rapidly reorganizing our administration by the very Powers whose action has prevented us from obtaining the requisite means for reorganization.

"The administration of my country has suffered serious injury through this delay, and future postponement has become most difficult.

"I cordially thank you for the constant courtesy you have shown me throughout these protracted negotiations, and I deeply regret that unforeseen circumstances have prevented the signature and realization of the contract when 'ready for signature,' cir-

cumstances which, as you stated in your letter of the 5th February, are beyond your control, and for which you cannot be held responsible.

"I respectfully send you this communication for your consideration."

In common fairness to the western nations it must be admitted that all the blame should not be apportioned to them. The Chinese themselves are in great measure responsible. When they were called upon to awaken from sleep and take their place in the world's progress, they simply turned over upon their bed and arrogantly waved all the other nations out of the room. They always retained, as they still retain, their Oriental predilection for double-dealing. In addition to this they prefer to put an awkward question on one side rather than face it like men. Their weapons for centuries have been official obstruction and evasion. They are wonderfully clever in the use of both, but even these faults cannot justify western diplomats in adding to China's difficulties. The West has had much provocation in the past, and Chinese officials are a very difficult body of men to deal with, but can past provocation or present-day mistrust justify enlightened Christian Powers in aping the ways of Shylock?

The stream of foreign gold which has flowed and will continue to flow into China

has come in different shapes. There have been railway construction loans, Government loans like the Big Loan of 1913, and provincial loans chiefly contracted with private trading-houses. Under the last category come such loans as the Skoda Loan arranged by Messrs. Arnhold Karberg & Co., of Tientsin, the Diederichsen Loan contracted at Shanghai, and the $6,000,000 Loan arranged by Messrs. Carlowitz (for Messrs. Krupp) to the Military Governor of Chekiang.

Most of these loans carried a stipulation that some portion of the money lent should be used for the purchase of arms or machinery from the lender. They were more or less of a similar character to the loans we have already condemned as calculated to undermine China. They were certainly not hailed with delight by the Chinese Government, because orders were issued forbidding the provinces to contract any more independent loans with foreigners without first referring their terms to Peking for approval.

When, however, the Big Loan negotiations began to hang fire in 1912, and Peking became pressed for money, something had to be done. The provinces were crying out loudly for financial assistance. The Government could give them none unless the Group bankers should consent to dole out bigger advances. When the Finance Minister, Hsiung

Hsi Ling, requested the bankers to do so, they refused; and the alternative was to tell the provinces to make their own arrangements. When Tang Shao Yi was blamed for signing the secret £1,000,000 Belgian Loan, which nearly caused the Group bankers to break off negotiations, he urged in his excuse that certain provinces had to be provided for immediately. This was probably true, but it did not embarrass the Chinese Government any the less.

Since then the provinces have once more been ordered not to contract any loans with foreigners without first referring the matter to Peking.

The question of foreign audit and supervision of the security involved were two of the stumbling-blocks in the way of the Big Loan, but when this was signed both these points were satisfactorily settled. China is now instituting an audit department on foreign lines, and has taken foreigners into her service to organize it.

But the Chinese as a nation have not abated their hatred of the principles involved. The outcry which was raised in the summer of 1912 by Dr. Sun Yat Sen, Huang Sing, and other members of the Tung Meng Hui against foreign control will take a very long time to quiet.

This feeling in the country and the National

Assembly naturally puts the Chinese Government in an extremely awkward position. On the one side are six stern foreign ministers who control the supply of gold; on the other are the people, and the chosen of the people, who expect political independence without having the power to wage war. The battleship is the only court of appeal from diplomacy; but as China cannot fight she has to wriggle instead.

This dilemma of the Government as regards money probably accounts for the rise of the last financial comet upon Chinese skies—the Industrial Bank of China. Through this bank a solution may very easily be found, though we cannot say that it will be found. One-third of its capital is to be in the name of the Chinese Government. That is satisfactory from the Chinese Government's point of view when it becomes necessary to pacify both Parliament and people in negotiating a new loan. If this Industrial Bank has every facility for introducing French gold to China, it may be able to do it at a lower rate of interest, which would also pacify both Parliament and people. In that case we are tempted to ask where its profits would come in? Quite so. But why should they not come through mining concessions rather than through the French Legation?

Our surmises may be entirely wrong, but

it looks as though the promoters of this new bank were partly actuated by a genuine philanthropic idea of assisting to develop China on a big scale, and partly by a desire to aim at cash returns rather than political advantages. It will be interesting to watch the rôle this bank is going to play in China's mining development. It is not a Chinese Government bank, but a Franco-Chinese bank, which has been capitalized in part by the Peking Syndicate, in part by its own shareholders, and in part by the Chinese Government.

But in the agreement which the bank has made with the Government there is one stipulation full of meaning to those who are able to follow the flow of Chinese passing events. This stipulation provides that the Chinese Government undertakes to assist the bank in developing China's natural resources.

In other words, France is not slow to adopt Belgian business methods. France means to secure substantial mining concessions. We have already seen that for any commercial enterprise to succeed in China joint Chino-foreign interests are necessary. It was stated, however, that the foreigner must have the control. Whilst the foreigner is necessary to stop leakage of expenditure, the Chinese is necessary to grease official wheels.

Long experience has driven these facts

home very forcibly to mining men. To the banker they have not been quite so apparent, because China has always encouraged banking, whereas she has never encouraged mining.

In all probability the Banque Industrielle is going to play a very big part in Chinese affairs, and indeed it certainly looks as though it will be in a stronger position for securing mining concessions in China than any other syndicate in the world. Mr. Pernotte, the chief of this new power, is a remarkably astute man. He has spent many years in China. In appearance he resembles Napoleon, and he comes from the southern part of France. The openings in front of such a bank as he is about to organize cannot have escaped his keen eye. We may well wonder whether the institution of this bank is a clever plan to unlock China's jealously-guarded mines. If a semi-foreign bank can obtain mining interests for cash advances instead of having to insist upon hard concrete administrative supervision of Chinese revenues, that bank will do well. While China is fighting powerful diplomats and Group financiers over these matters, that bank will profit.

Towards the end of 1913 Sir Richard Dane had to complain through the British Chargé d'Affaires that he was allowed to exercise no administrative control over his department

whatever. He complained that the Chinese Government simply treated his department like an audit office. Of course, the salt revenue, in consequence, made a lamentable showing. To date it is only producing a fraction of what was expected of it. But what else did Sir Richard Dane expect when he was appointed to his post? What else did England, did Europe expect?

China wanted Sir Richard to sit quietly by, draw a big salary, and say nothing. When his time for retirement arrived, China expected that he would demand a substantial sum for going away. And he would have got it. Instead of that the Indian Civil Servant asked for administrative control, and the British Chargé d'Affaires had to complain.

As the writer once remarked to Sir Richard Dane himself, China is only fit for comic opera. Can anything be more ludicrous than the arrival in China of an excellent servant of the British Crown who comes to serve the Chinese Government? He comes to render useful service, which he probably values above his pay. China, on the other hand, is willing to pay him anything he likes to ask if only he will keep quiet.

To an Indian Civil Servant, of all people in the world, this sort of situation must be particularly galling. In India the Indian

Civil Servant's word is law. He is the personification of the British Crown. He exercises the administrative abilities for which his race is famed. He is what his nickname calls him—he is the "heaven-born." Imagine any person trained in that school coming to China to organize a new department under foreign control. If he attempts to nominate his own underlings, the foreign ministers utter a hullabaloo. In this hullabaloo China joins. If he accepts the nominations of others, he will find a certain number of men on his staff whom it is difficult to work with. Some will have foreign ideas of administration; some will be there solely because they have a claim upon the persons who put them there; and some will be frankly unfitted for the "job." If he makes the best of things, and sets to work with this new staff to get something done, China immediately says, "No, no. You were not sent here to do anything. That is not what you are being paid for. You are being paid to be a figure-head, my friend." And so the comic opera goes on.

The reason, of course, is that China is undermined, utterly and inherently undermined, not only by the Chinese themselves, but also by foreigners.

But apart from any of these considerations, China's Salt Gabelle administration has always been a very peculiar thing. There are

salt certificates held by hundreds of Chinese families which are centuries old, and these certificates represent money just as much as landed property or share certificates or a building mean money. If the Salt Gabelle is to be thoroughly reorganized, these interests must be interfered with, and that would mean a revolution before which a political revolution would pale into utter insignificance. Then, again, the salt revenue has been collected under different systems in all the eighteen provinces.

Besides this, there is the Chinese Government's view to be considered. China wanted money, and China looked upon Sir Richard Dane's appointment as merely a part of the bargain. China did not want him to do anything. England, on the other hand, put him into the appointment to make changes which China did not want, for she only wanted money and nothing but a free hand to look after her own affairs.

There is no doubt about it: Sir Richard Dane thoroughly understands salt, but does he understand China? And in a matter of this sort a knowledge of China would probably stand him in better stead than a knowledge of salt.

CHAPTER VIII

THE STORY OF THE BIG LOAN

THE story of China's 1913 Reorganization Loan contains some of the most illuminating side-lights upon the "undermining" section of this book. Through all the tortuous windings and rewindings of these negotiations we see the weaknesses of a pagan race striving to better its position in the eyes of a Christian world. Side by side with these weaknesses we observe the actions and petty jealousies of those very Christian peoples whose good opinion China was trying to win.

The picture is far from being a pleasant one. It is a picture of oriental evasion coupled with occidental greed. During certain of its phases it suggests the camel lying wounded in the slough of despond whilst the eagles hover nearer in ever-diminishing circles. It must not be supposed that there is any quarrel with the Loan itself. No sane man could possibly be found to do that, because few things have been of more vital importance to China than money was at the

close of the year 1912 and the beginning of 1913.

Towards the end of the "Old Budda's" lifetime, when the sands of Manchu supremacy were fast running out, the national funds of the Treasury were also fast running out. For some years previously young Chinese youths had been going abroad either as students or as labourers, and a leaven of foreign ideas had spread so far within the sacred precincts of the forbidden city that reforms of various kinds had been promised.

In all probability the Empress Tzu Hsi had very little sympathy with these new-fangled ideas. In fact, she was known to have been a positive reactionary. But, like Queen Elizabeth, she preferred to concede a few points graciously rather than court a revolution she saw slowly approaching moon after moon. Reform was a word she loathed with a deep, bitter loathing. She had tried to crush it, but she found it was hydra-headed. She had tried to dally with it, to quiet its supporters, to scold them, to reason with them, to take their heads off, but none of these methods were of any avail. The waves of reform were coming upward and onward like a strong spring-tide. Reform had led this powerful Queen of the East to commit crime after crime which only a despot's creed of expediency could justify. Her Orien-

tal train of thought probably enabled her to do so, but she must have seen she had failed before she died.

During her efforts to banish this ever-recurring word " Reform," she had alternately banished and employed the President Yuan Shih Kai—the man who had betrayed his Emperor. He was not a Manchu, but he had rendered to herself and to her principles at least one mighty service at the time of the " Coup d'État " in 1898. She nevertheless suspected him of being a reformer himself. That he was a modified reformer is a fact beyond doubt; but, above all, he was an Oriental statesman, and that implies a person only less reliable than a British politician.

Yuan, however, was very able, and Tzu Hsi was not likely to lose sight of that important quality in this man. He was also useful to her in dealing with those insistent barbarians who kept coming into China from overseas to disturb her peace of mind. The torpedo which finally shattered her throne had not yet struck, but it had already been fired from Japan, and she may have felt it coming. It had been fired by a Chinese foreign student. During her last declining years the influence of the Tung Meng Society became ever more marked as her once firm footsteps tottered toward the imperial tomb where her ancestors already slept.

When she died there was nobody except Yuan to take up the reins of power, because the flood of rebellion instantly broke loose and surged, with growing intensity, around the quaking Manchu throne. This statesman of Chinese stock found himself leading the loyalist forces in the struggle between North and South. Without funds, without any real sympathy with their ghost of a former government, he had to befriend the Manchus because they represented some sort of government.

The first thing for Yuan to do was to secure money by hook or by crook. As already explained, the Treasury was empty, partly owing to wasteful extravagance under Manchu rule; partly owing to China's credit having been pledged to foreign financiers; and partly owing to eunuchs, like the famous Li, who had been robbing the revenue for years past. The palace was infested with creatures like him. Every official in the provinces had also had his finger in the pie. There had been no scientific systematic keeping of accounts. Corruption, rank, wholesale corruption, had been allowed to flourish for centuries without a check, and, of course, the Treasury could not undertake the cost of such reforms as had been gradually, if grudgingly, acquiesced in.

The chief spirit in raising this revolution

had been Dr. Sun Yat Sen. He, though Chinese, was a missionary child. His family belongs to Honolulu, where some members of it have acquired wealth and the importance wealth brings. Dr. Sun Yat Sen was thus able to enjoy the advantages of a British education, and thereby he doubtless acquired the enlightened views which led him to raise the standard of rebellion.

When this strange civil war of yellow men against yellow men began, both sides spared no pains to possess the only key which unlocks every door in China. Each side wanted money ; for if the well-filled purse can buy over individual soldiers in the West, it can buy over armies and provinces in the East. Each side realized that whichever of them first touched gold would also attain supremacy, and each side was within an ace of securing the requisite funds on more than one occasion.

Had the throne secured money before the abdication was decided upon, a very different state of affairs might have existed in Peking to-day. Had the Southern party secured funds we may wonder whether Dr. Sun Yat Sen would have been less ready to resign the Presidency.

As it was, both sides, though unable to obtain money for themselves, were successful in preventing their rivals from doing so, and Dr. Sun doubtless felt himself unequal to

picking up the threads of a Government he knew nothing about when his Treasury was empty. Gangs of unpaid soldiery were looting and pillaging everywhere. Obligations to foreign nations were banking up steadily. The machinery for collecting the national revenues was hopelessly out of gear. It was a time for very strong hands, for very skilfully-trained hands, to grasp the wheel of power, and nobody, except Yuan Shih Kai, could be expected to pull things through. Unwilling to face a situation for which his education had not fitted him, Dr. Sun resigned the Presidency in favour of Yuan Shih Kai.

This strong, subtle man immediately set about replenishing his coffers. There was only one way to do it—a foreign loan—and all other nations recognized this necessity as clearly as Yuan Shih Kai did himself. They also must have recognized the urgency to China of negotiating such a loan with the least possible delay. But, because they recognized the urgency of quick negotiation, it did not follow that they would depart one hair's-breadth from their time-honoured custom of getting their pound of flesh from China. A year or two previously what has been called the Four Power Group of financiers had arranged terms for constructing the Hu-Kuang railway-lines, and this Group began making small advances to Yuan's

Government on condition that they should have a firm option to furnish the Big Reorganization Loan, which everybody believed inevitable.

Great Britain, Germany, France, and America were the four Powers whose financiers formed this Group, and by the middle of March 1912 they had already made two monetary advances aggregating $3,100,000. But trouble then began. It was discovered that Tang Shou Yi had negotiated a separate loan of £1,000,000 with a Belgian group. Of course, the four Powers instantly stopped supplies, and Tang, to cover his mistake by adding complications, suggested that Russia and Japan should come into the Group, as Russia had the right to do. Later on America refused to have anything more to do with it, declining to lend money on terms which touched the independence of a great, free people. These terms were roughly as follows :

1. China was required to state for what purposes she required the money.

2. She was asked to submit to representatives of the Group seeing that the money was spent in the way specified.

3. The Salt Gabelle, upon which the Loan would be secured, must either be administered by the Maritime Customs service or by a new service to be established on similar lines.

Not unnaturally China felt herself unable to agree to these terms. She saw quite clearly that her independence as a sovereign state was being undermined, and before tying herself down to such conditions she almost preferred to face bankruptcy.

If her own people would not come forward with a patriotic loan, there might be other financiers in Europe ready to help her. Her policy was to wait and scan the financial horizon with nervous, straining eyes.

Day after day for some months Hsiung Hsi Ling, her Finance Minister, was up in the crow's-nest wondering how "to raise the wind," but his ship of state was financially becalmed, although negotiations with the Group financiers dragged on in a condition of deadlock until August was nearly over.

Day after day the hands of time pointed nearer to the hour when payments must be made from which there could be no escape. Of these the Boxer Indemnity was a main item, and Russia was the biggest creditor.

Russia! Holy Russia! the country which spends 22,000,000 roubles a year on education, and nearly nine times that sum upon prisons and police.

At last China's hours of vigil were illumined by something more than a ray of hope. Though still keeping in touch with the Group financiers, she was able to "save her face"

by contracting the Crisp Loan. Elsewhere mention has been made of the excitement which prevailed in British financial circles over the announcement that Mr. Crisp had contracted this loan with China in direct opposition to the British Foreign Office. As a financial experiment, it was a hopeless failure, in that 40% of it fell upon the shoulders of the underwriters. As a prop to China's independence, it was something more than a success. It enabled her to assert her personality. It also enabled her to bargain with her friendly oppressors to a far greater degree than anybody imagined possible.

Hsiung Hsi Ling was the Finance Minister on August 30th, 1912, the day this loan was signed. Its negotiation had taken place secretly, but China is a country where all secrets leak out before they have time to become secret, and the terms of this Loan were no exception to the rule. By the beginning of September almost everybody in the world had heard of the Crisp Loan. Just as a Chinese cement or coal firm can find out the output and destination of every barrel or ton despatched by a rival house, so the diplomat or the banker can obtain a copy of any agreement his suspicions tell him is being drafted. Such a state of affairs would never be credited in England. Spying, intrigue, and subtlety permeate every walk

of life from the official's yamen to the godowns of the foreign trading-house.

Some critics have suspected that China never had any serious intention of utilizing the Crisp Loan in any other capacity except as a lever to overcome the obstinacy of the Group. That may, or may not be so, but we know this much at least: the Finance Minister again approached the Group on September 15th, 1912, and, according to the story of these events, which appeared in the "Far Eastern Review," promised not to accept any payments under the new loan if a satisfactory arrangement were speedily reached.

Two days later half a million of money was reported to have been received as a first instalment of the Crisp Loan, but the Advisory Council approved of a resumption of negotiations with the Group, and both the Advisory Council and the bankers showed signs of becoming rather more conciliatory. It was believed that the cloud of uncertainty was at last beginning to lift, and a ray of hope began to filter through the lattice-work of chances.

But within a week the Chinese Government had changed its mind, and flatly refused the Group's terms. Sir John Jordan replied by drawing attention to China's liabilities, which would become due at the end of the year. These sums reached the alarming total of

£10,000,000—not a very pleasant reminder for China to have to face when her coffers were utterly empty. But without relaxing her opposition to foreign control she began to shuffle the occupants of her various Government departments. Hsiung Hsi Ling vacated the office of Minister of Finance to become Financial Commissioner, whilst Chou Hsueh Hsi became Finance Minister in his stead.

The provinces meanwhile had been forbidden to contract any loans with foreigners, although they were just as short of funds as the central Government. Already, on July 7th, Hsiung Hsi Ling had asked the Group for an advance of cash to give them the assistance they required, but the Group had declined to advance a cent. Hsiung accordingly ordered the provincial governors to help themselves as best they could.

Soon afterwards these negotiations in China were disturbed by the thunder of war in the Balkans. The Balkan League had made it possible for those turbulent little warlike states to sink their intertribal feuds and join hands against Turkey, their common foe. European investors instantly buttoned up their pockets and went to watch the fun. For the time being China was forgotten, so that her chances of financial accommodation became more slender than ever.

Although communications with the Group

still continued, they were of a difficult, touchy nature, because the financiers were becoming diplomats and the diplomats were becoming filibusters. Besides this, both diplomats and financiers had one eye fixed on Europe.

It was obviously to their advantage to delay a final settlement as long as possible. It was obviously to China's advantage to obtain a final settlement as quickly as possible. For once in her life China's methods were turned against herself. For once in her life she was meant to feel the sting of evasion, the mortification of delay. The very weapons she had wielded with such signal success against Europe for centuries past were drawing blood from her own bosom, and she wept. Certain foolish sections of the Chinese Press spoke loudly of boycotting the foreign banks; but how could they do so? How could the leaves of a tree boycott its roots?

China's sick finances were torturing her sadly, and her rulers, for want of money, did not know which way to turn. The Chinese Foreign Office then attempted to get the Crisp Loan officially recognized, but the Powers replied by pointing out that China had no power to hypothecate the Salt Gabelle revenues to any such loan. They were, as China well knew, already pledged for the Boxer Indemnity. This protest compelled China to seek

salvation at the hands of the Group once more, although the negotiations which followed were still further complicated by Mr. Crisp's contract. By Article 14 China had bound herself not to contract any other loans until the Crisp Loan should have been entirely issued. This compelled China either to break with the Group or to break with Mr. Crisp's contract. She chose the lesser of the two evils, and Mr. Crisp received a substantial sum for the cancellation of his rights.

By this time autumn was well advanced, and the first chilly gusts of winter were beginning to usher in snow, but nothing had been definitely settled. The negotiations had apparently begun to run more smoothly, but that was all. At the commencement of December it was given out that the Loan would be for twenty-five millions, and that the Chinese Government would come to terms with Mr. Crisp if a satisfactory contract could be arranged with the Group.

At last there seemed some prospect of a settlement, but certain nations were evidently bent on further delay. Both Russia and France appeared unwilling to sink money in China when the chances of peace in the Balkans were still so remote. They asked for compensation for damage caused by the Revolution. They asked for a $5\frac{1}{2}\%$ rate of interest. And Russia refused to postpone

the payment of the Boxer Indemnity, which had now fallen due. Russia may be a Christian country, but she is a remarkably severe creditor. She had also seized the opportunity of China's internal disturbances to put her schemes for the absorption of Mongolia on a more pronounced footing. With those matters we are not at present concerned beyond drawing attention to their undermining effect upon the integrity of the Celestial Empire. At present we can find plenty of undermining operations in the Loan.

Despite the apparent efforts of France and Russia towards delay, the negotiations had reached a point sufficiently near agreement to warrant the Loan's terms being printed at the end of the year. About the same time, towards the middle of January, Mr. Crisp was asked to advance the February instalment of his Loan.

Over this question some misunderstanding seems to have cropped up, and the advance was not made. China also asked for a cash advance from the Group, and here, again, the advance was not made. Several points were still unsettled, and China was exceedingly anxious that anything relating to auditors should not be mentioned in the Agreement itself. She knew perfectly well that not one penny could she obtain without foreign supervision, but she was anxious to "save her

face" and make it easy to get the Loan approved and passed by her new-born Parliament.

France, however, put her foot down to prevent any further advances. She pointed to the unsettled state of affairs in Europe. Who could say where the Balkan conflagration would end? In time of war it is the power to spend which can buy success, and every sou leaving France at such a moment might mean the fraction of a lost cause a few months later on. From a French point of view delay was most desirable. Germany and Russia thought so too. England was not quite so much influenced by these considerations, but the Balkan trouble compelled her to raise no points of friction between her European neighbours and herself. Japan was unconcerned.

About the middle of January Chou Hsueh Hsi was informed that no advances could be made by the Group at such a time. He replied that advances had been already promised, and that if they were not forthcoming the Chinese Government would be compelled to contract a loan with parties outside the Group.

Then arose from China a great cry for loans: "Lend! Lend! prithee lend!" but nobody was able to help, though everybody offered to do so. In despair China raised

her voice once more: "Lend! Lend! prithee lend!" As that bitter cry echoed from one Tartar wall to another, the Hall of the "Wagons-lits" Hotel at Peking presented a lively scene. Every agent, sub-agent, hanger-on, or putative representative of some so-called financial syndicate bustled out, with plenty of promises but no money, to meet Chou Hsueh Hsi. The latter gentleman, no doubt, took their proposals with a grain of salt which had not been taxed under foreign supervision. But though he was looking about for an outside loan, negotiations with the Group were not formally broken off.

From a social point of view the foreigners in Peking were enjoying themselves immensely. From a business point of view nothing was being done. These January days very much resembled the state of affairs which existed in Vienna after Napoleon's defeat at Leipsig. Society danced, and that was all. When they were not dancing, they were chiefly engaged in squabbling.

Towards the end of January it seemed as though the Group would break up altogether. Germany and Great Britain wished to break away and open up independent negotiations with the Chinese Government. But the French bank manager objected, and the matter dropped. After this another attempt was made to come to an agreement, and once

more the negotiations trickled into smoother channels. Probably China realized her difficulties more acutely by this time, as she had failed to get her expected advance from Mr. Birch Crisp, and, moreover, her outstanding debts were already overdue. Political tension in Europe was becoming less strained, and China, though grudgingly, had consented to the principle of appointing foreign advisers to supervise the Loan.

At four o'clock in the afternoon of February 4th Admiral Tsai Ting-Kan called upon the various foreign legations, and stated that the advisers whose appointment would be acceptable to China were Mr. Oiesen—a Dane—for the Salt Gabelle, Signor Rossi—an Italian—for the Audit Department, and Herr Rump—a German—for the Loan Department. At six o'clock the same evening a meeting of foreign ministers was held to consider these names. The result, of course, was they squabbled.

Is it possible to conceive anything which calls for a greater exercise of business qualities than the reorganization of a government after a revolution? Is it possible to conceive any body of men less capable of furthering that object than a crowd of wrangling officials? China was doing her best, but she was hampered at every turn.

With the bankers alone she could have

come to terms long ago. It was diplomacy which made her paths thorny, and diplomacy is only war in a more insidious shape. To the man in the street what did it matter whether Signor Rossi or Herr Rump became auditors of the Loan Department or chiefs of the Salt Gabelle? It was the man in the street who subscribed to the Loan through the banks. It was the man in the street who really wanted the necessary guarantees. But it has always been looked upon as right to treat China in a way that European nations would never dare to extend to one another. Why should a loan to China carry with it semi-political rights? Switzerland or Holland may be weak countries in so far as military forces are concerned. But if Switzerland required a loan to build a railway, would the lender think of demanding all mining rights within ten miles of that track? Would he have the impudence to demand, in addition, the exclusive right of supplying Switzerland with gun-powder or cocoanuts or grate-polish for the space of twenty years? No, but China is not Switzerland. China is the milch cow to be despoiled, to be robbed, to be squabbled over.

In this case the diplomats squabbled over the nationalities of the gentlemen whom Admiral Tsai proposed to take into China's service as financial advisers, and the Loan

itself became utterly forgotten in the wrangle which ensued. France wanted to be represented. So did Russia. It was pointed out that two out of the three gentlemen proposed belonged to neutral nations unconcerned with the Loan. But France objected to Herr Rump because he was a German, and Germany was a party to the Loan. Some time previously she had objected to Mr. Oiesen because Denmark was not a party to the Loan. It may be true that a council of war never fights, but this council of diplomats certainly did fight, for when they failed to come to an agreement these quarrelsome gentlemen wired home to their governments for instructions. An exact parallel may be seen in the nursery any day of the week, when children first squabble over their toys and then run down to mother—"for instructions." Unfortunately there is no equivalent expression to represent mother in the diplomatic world. If there were, these gentlemen might have gone away back to their nursery with the castigation they deserved.

Meantime the Loan stagnated, but the wrangling went on. A British adviser was proposed for the Salt Gabelle, a German was suggested for the Loan Department, whilst joint French and Russian advisers were proposed for the Audit Department.

This time Germany objected. She tried

to bargain that if no obstacles were raised to the appointment of an Englishman to the Salt Gabelle she should be given control of both sections of the Tientsin–Pukow Railway. There !—a nice suggestion ! We can almost hear Liberia making the same sort of offer to Lapland for the control of the London North Western lines.

A Chinese railway built partly under British, and partly under German supervision ; but Germany demanded entire control as an off-set to an Englishman safeguarding the investment of British shillings or German marks in a Chinese loan. No wonder the Chinese were indignant at these proposals. Can we imagine anything more degrading to any nation's pride than to hear such things ? Can we also imagine anything more degrading to a nation's sense of decency than to propose such things ? But this outrage upon China's pride was not mitigated by the astounding blunder committed by the diplomats in using the expression " Director-General " instead of " Adviser " when they formally submitted their proposed nominations to the Chinese Government. If diplomats are of any use at all, they ought not to make these mistakes. For a mistake like that a man deserves to lose his head. But perhaps these diplomats would excuse themselves by saying that they had already lost their heads.

On March 11th Chinese feelings found expression in the letter sent by Chou Hsueh Hsi to the Group bankers. It is not necessary to recapitulate his remarks, for the full text of that letter has been given elsewhere. It did not have the effect of breaking off the negotiations, but it clearly shows the pitch of tension which had been attained. The Group replied courteously, but sent in a little reminder to China in the shape of a bill. "Please pay up the money we advanced you a year ago," is what they said in more official phraseology.

And China could not pay. Poor China! What was she to do? Adverse circumstances, internal troubles, war in Europe, stony-hearted financiers, and still stonier-hearted diplomacy all seemed to have combined for her overthrow, all seemed anxious to hurl her from the Tarpeian rock into the abyss of bankruptcy below.

There was no other course for her to take except to admit she could not meet her Treasury bills until the Big Loan should be concluded. She asked that the time-limit might be extended for another year, but this suggestion was not viewed favourably by the bankers, and they refused to accede to it.

The usual machinery for reporting bankruptcy was set in motion, and the various legations were duly informed that the Chinese

Government could not meet its obligations. The whip was being applied at last to China's back. If she persisted in trying to raise money independently of the Group, she was to be brought to book without delay. It was financial coercion of a very stern kind. Nothing daunted, the Minister of Finance still continued, with the utmost vigour, to raise an independent loan, but several attempts failed.

It was at this crisis of the affair that America decided to withdraw from the Group, and President Wilson issued the explanation already dealt with in this book. We have seen that his intentions were honourable and friendly. They were worthy of the great people whose chief citizen he happened to be. But this withdrawal, by giving hope to outside financiers, contributed not a little towards getting the Big Loan through. It was March 18th when America left the squabblers to squabble amongst themselves.

The prophets, of course, prophesied that the Group would disintegrate altogether, and independent lenders became more and more active. But China is a country where those who know best are never right, whilst those who know nothing are always wrong. In this case the Group did not break up, although two syndicates began seriously to open secret negotiations with the Chinese Minister of Finance.

One of these was an international syndi-

cate. The other was headed by Reuter's Telegram Company. Apparently neither of these syndicates was sufficiently strong to cater for all China's needs, so they joined forces, and arranged to supply China with 30,000,000 sterling at 5½%. The Crisp Loan was to be undertaken by them jointly, but its rate of interest was to be raised to the above-mentioned figure. Reuter's Company then withdrew. But the new negotiations were carried forward in spite of this secession until the draft agreement was printed and ready for signature on April 25th, 1913.

Mark this point: everything was ready for signing this other loan on the very day before the Big Loan was actually signed. Every detail was thoroughly settled, and nothing but a scrawled signature prevented eighteen months of wrangling leading to no result whatsoever. Then the secret leaked out, and the Group financiers, with frenzied hurry, hastened to open their money-bags.

There! that gives us some little insight into the game of dawdle and delay from which China had suffered so long at the hands of this Group. No sooner was she in a position to get money from another source than they "came to heel" with startling suddenness and even modified their terms.

On April 24th it was reported that the Russians were again trying to block the Loan,

but the British insisted that it should be concluded at once, and the Big Loan became an accomplished fact after months of nonsensical squabbling.

At this point China's political condition demands a little of our attention. After the overthrow of the Manchus, the Government fell into the hands of Yuan Shih Kai, because, as we have seen, there was nobody else who could very well have undertaken it. At the same time, he was only a section of the Government machine. He was only the President. There were also two Houses of Parliament to complete the political machine, although no elections had yet taken place, but a national council filled up the gap as a temporary measure. Soon after the commencement of Yuan's Presidency, however, it was obvious that the North and South had only come together in order to sweep out the Manchus. There was no real sympathy, no similarity of ideals between the people from above and below Shanghai.

That Yuan realized this to the full there can be no doubt, for we soon detect him making a few little preparations which caused watchful people to expect the southern rebellion which broke out in July 1913. In one or two provinces he had been substituting a military for a civil governor. That alone was significant. He had been having more

than a little trouble from members of the Kuo-ming-tang party in Parliament, and they had been extremely insistent on demanding that the Loan should be properly put before the Assembly. It had been read and hurriedly approved at a secret meeting of the Advisory Council held on December 27th, 1912, but between that date and April 26th, 1913, when it was actually signed, alterations in its conditions had taken place.

There is no doubt about it—Yuan Shih Kai acted throughout 1912 and 1913 in exactly the same manner that Cromwell acted when he became Protector. He had obstacles enough to face where foreigners were concerned. He could not waste time while a body of mimic politicians decided whether this condition or that condition in the Loan Agreement pleased that or this person or party. The difference was this: Yuan was a statesman of the Oriental school; his critics were politicians from the schoolroom. They accused him of being unconstitutional. He evidently was unconstitutional. But his conduct of affairs was precisely what Cromwell's would have been if the Fates had put him in Chinese shoes. Just as Dr. Sun Yat Sen foretold another war when the Loan should have replenished Yuan's Treasury, the Kuo-ming-tang party probably foresaw the war-clouds and tried to embarrass the President.

We can now return to the dramatic climax of the Loan negotiations, which began on April 24th. On that day the Minister of Finance suddenly left Peking for Tientsin. Immediately afterwards a special train left Peking in pursuit. On board were four delegates from the President, and these men carried peremptory orders for Chou Hsueh Hsi to return at once. He returned by the special train on April 25th.

Next day it became generally known that the Big Loan Agreement was about to be signed. In Chinese political circles there was a great flutter of excitement. The Speaker and the Vice-Speaker of the Senate sent letters to the President early in the morning asking that the Loan question should be referred to Parliament. To this request Yuan replied that the Advisory Council had already approved its conditions. But he promised to send his Chief Secretary, Liang Shih Yi, to explain.

At 4 p.m. Liang arrived, and stated that the Government was perfectly justified in what it had done, and that the Loan had been already signed. This was, to use a Winstonian phrase, a terminological inexactitude. The Agreement had not been signed. It had only been initialled, and the Senators learned that the formal signing would take place that night, April 26th, at the Hongkong and Shanghai Bank.

The Vice-Speaker thereupon visited the bank about 9 o'clock that evening and interviewed three of the Group's representatives. He pointed out the irregularity of signing the Loan Agreement in such an unconstitutional way, but the bankers replied that they had been instructed to proceed with it, and they could only deal with the Chinese Government through the ordinary official channels. The Vice-Speaker then withdrew, but a little while later he called again upon the bankers in company with the Speaker and one or two other politicians. The bankers were by this time in conference with the Government representatives, and the visitors were informed that it was impossible for Mr. Hillier to receive them. There was nothing more to be done. They had to go away.

Meanwhile the Finance Minister and the Premier were going over the Agreement with the Group's representatives. But without any warning a hitch suddenly occurred which very nearly upset the conference at the very last minute.

In the original Agreement there was a stipulation that the Chinese Government should not float any more loans after December 1st, 1912, for a period of six months. On reaching this paragraph the Minister of Finance asked that the date should be altered to April 10th, 1913.

Of course, the bankers instantly "smelt a rat," and pressed him for a reason why this new date should be substituted for the old one. It then transpired that China had contracted a loan with some Austrian financiers on that date. This little incident throws a strong ray of lime-light upon the scheming, underhand business which had marked every stage of the Big Loan's progress from beginning to end. It shows the European diplomats wishing to delay matters. It shows China so hungry for money that she made this secret compact with Messrs. Arnhold Karberg upon terms that were outrageously severe. She was to become liable for £3,200,000 at 6%, and in return she was to receive only £1,413,000 in cash, because the balance was to be paid in Austrian torpedo-boats which she did not require.

The bankers had two alternatives before them after the disclosure mentioned above. They could either refuse to sign the Agreement altogether and refer the matter home, or they could sign it provisionally and still refer the matter home.

Of these two alternatives they chose the latter, and eventually it was arranged that the Austrian Loans should not come into operation until three months after the Big Loan had been floated.

CHAPTER IX

RAILWAYS

Up to the time of the Manchu fall, railway development had been remarkably backward in China. After the Chino-Japanese War, a fearful battle had been waged between various foreign nations to secure railway concessions, but many of these concessions had never led to anything. Some few took shape, but the time had not yet arrived when China was to put on her steel armour and carry industrial war into countries oversea. She had no immediate desire to be hurried by the West, and her people were distinctly hostile to railway development, because they feared foreign money would mean foreign supervision. They feared, in fact, that the independence of their country might be undermined. They were not prepared to welcome any foreign loan which would secure the lending nation political or semi-political rights, or which would involve China in serious trouble to the detriment of her interests. The Chinese frequently cited the case of the

late American China Development Company, which had left a deep impression on their minds.

In that case it will be remembered the American Company had been granted the concession to build the line from Hankow to Canton. It had been purposely given to America because China desired to prevent Belgian interests becoming too strong, especially when France and Russia were attempting to realize their aim of linking up Manchuria and Tonquin by a line across China. At the time the Russo-Chinese Bank was suspected of being in very close touch with Belgian enterprise, and there can be no doubt that this was true. A Belgian syndicate—in which Russian and French banks participated—had just been granted the right to build the line from Peking to Hankow, and China was particularly anxious that the extension of this line to Canton should be withheld from Belgian hands.

The Belgians, however, were not to be so easily balked. They had done their best to secure the concession before America had been favoured with it, but when it appeared to have gone past them, they set themselves to possess it or to wreck it by securing the bulk of the American China Development Company's shares. They were fortunate enough to attempt this when the United States

was busily engaged with the Spanish War, and eventually they succeeded in securing a controlling voice in the Company's management, which quite disconcerted China. The latter country had expressly asked Mr. Cary, the American lawyer who went to Shanghai to arrange the Development Company's business, whether the Americans could transfer the rights under their agreements to other nations or people of other nationality. And Mr. Cary had undoubtedly explained that an American company of this sort could not alienate its rights to a foreign country, although there was nothing in the agreements to restrict freedom of dealing in its shares.

Meantime a little work was done, but soon the Belgians began to show their hand. They replaced the American engineers by Belgians and removed the Company's agent at Shanghai. The Chinese local gentry quickly realized the changed conditions. A hue and cry was raised and work was stopped. Eventually China bought out the American China Development Company, but the mistrust which these doings had sown in John Chinaman's mind could not be so easily eradicated. All these events are dealt with at much greater length in Mr. Percy Kent's "Railway Enterprise in China," but they are important to remember in view of recent events.

For many a day after the settlement of the

case above-mentioned, Chinese desires for foreign loans for railway development were sadly impaired. It was in 1905 that the American China Development Company turned over their rights to the Chinese. Among the assets was the completed Canton–Samshui branch-line, extending to a distance of thirty miles from Canton. It was taken over by the three provinces directly concerned with the Canton–Hankow Railway—namely, Canton, Honan, and Hupeh. This little line was then operating, but the main trunk-line of some 750 miles in length has not been completed to this day.

This delay in linking up Hankow with Canton had been partly due to insurrections, partly to lack of funds, but mainly because John Chinaman was determined to do this piece of work with Chinese capital only. He was yet to learn that this could not be. In only one instance has a line been built purely by Chinese capital, and the birth of that line is of very recent date. This one line is the Peking–Kalgan line.

The determination of John Chinaman to build the Canton–Hankow line was only the expression of a general feeling, particularly marked before the Manchu overthrow, to delay railway enterprise in China. Before that revolution there were some railways operating, but not many. Others were in

course of construction, but they were few. Some had already been surveyed, while others were merely projected on paper, with no possible chance of ever being built. But after the fall of the Monarchy Dr. Sun Yat Sen's oratory did a great deal towards making China see that railways must be built at any cost, although there is a feeling existing to this day against putting power into foreign hands.

If we had glanced at the map of China in 1908 we should have seen how few railways were in existence at that time. In the Kwang-tung province were two little railways—the Samshui–Canton and the Swatow–Chaochowfu lines. In Kianghsi there was the line from Chuchow — P'ing–Hsiang–Hsien,—but apart from these there were no others operating in Southern China. In the Yangtse Valley we should have seen the Nanking–Shanghai Railway, but the Tientsin–Pukow line had not yet been built. The north was joined up with Central China by the Peking–Hankow line, while Tsingtau was linked with Chinanfu. We should have seen the little railway linking the Peking Syndicate Mines with the Kinhan line, and its extension from Hsinhsiang to Taok'au. Taiyuanfu was also linked up to the Kinhan line at Chent'ou. And, lastly, there was the Peking–Mukden line extending, of course, to Yinkow.

We need not concern ourselves with the South Manchurian Railway. It is perfectly obvious to the meanest intelligence that the Japanese never intend handing it back. Neither is it necessary to pay any attention to the Chinese lines under Russian management, for railway systems which once pass into Russian or Japanese hands are never likely to become Chinese again.

Of all these lines, the only one to which we must pay very careful attention is the Peking–Hankow Railway. Here, again, recent events compel us to review the important political issues connected with it. Here, again, we find Belgium the central figure of the picture. But in this case Belgium really meant France and Russia as well, since these two nations intended joining hands across China. Americans were the first to try to secure this railway concession, but Belgium successfully underbid them. As Mr. Percy Kent puts it:

"While the Americans were bargaining, the Belgians were accepting the Chinese terms. It was perhaps scarcely surprising that a contract was in due course signed between the Belgian Syndicate and His Excellency (Sheng) in June 1897.

"It was soon found, however, that financiers in Europe could do nothing with the contract in its present shape, and it became necessary to obtain more attractive terms.

The second stage in the process had been reached, and resort was had to diplomatic pressure in Peking, negotiations being opened up with the Tsung-li Yamen by the Belgian Minister, backed up by the representatives of Russia and France.

"Although it was known that the concession of 1897 had been granted, and had proved unworkable, and that diplomatic efforts were being made in Peking to obtain improved terms, the British Minister does not appear to have thought it necessary to take any particular action in this matter. He relied on an assurance from the Yamen that the Syndicate was a *bona fide* Belgian affair, and on the fact that he had secured the insertion in the original agreement of a clause restraining alienation to any other foreign Power. It must also be added that he was not aware of the active interest which was being displayed by France and Russia, and consequently did not realize the significance of what might at any moment develop into a political movement against British interests in the region of the Yangtse, if indeed it was not in intention already such.

"The first warning note apparently was struck by Dr. Morrison in a telegram to 'The Times' in May 1898. It was followed by the manifestation of uneasiness on the part of the British Government. But, unfortu-

nately, matters were too far advanced for any effective action to be taken, and in the course of a few weeks the revised contract was duly executed.

"The telegraphic interchange of instructions and information which passed at that time between London and Peking forms an instructive comment on the methods that have sometimes been employed to safeguard British interests in China. Brief, significant, almost pathetic in their newly-awakened anxiety, these messages also record the detailed history of those few weeks, and will be found to repay perusal by those at all interested in the course that events took in Peking at that time.

"In Paris no secret was made of the part played in the transaction by French diplomacy. An official communiqué from the Ministry for Foreign Affairs, which appeared in 'Le Temps' on June 28th, while speaking of the important part reserved to French industry in providing material for the line, frankly congratulated the country on a success achieved."

We will pass, then, to 1910, in which year the British section of the Kowloon–Canton line was opened by Sir Henry May. Not much change had taken place since 1908, except that the Peking–Kalgan line had been built and the Tientsin–Pukow line had been

partly constructed. Shanghai had been linked to Hangchowfu and Honanfu had been joined up to Kaifengfu.

Down in Southern China Amoy was pushing out a little piece of track to Changchowfu, whilst the Canton merchants had begun to extend their line northwards towards Hankow, but they had progressed little more than some seventy or eighty miles. In the neighbourhood of Macao the Chiangmen–Sanchiahai line was partly constructed. Beyond these changes there is little to chronicle. However, Mr. W. P. Ker, H.B.M. Attaché at Peking, gave a list of Chinese projected lines in that year. No doubt they make dull reading, but if China's railway development would be followed this list cannot be passed over. These lines were as follows :

1. Kirin–Changchun (Kuanchengtzu). This line has since been completed, but it can hardly interest us very much, because it is in Manchuria.

2. Kirin–Hunchun. This line has not yet been built, although it probably will be undertaken in the near future. It is the eastern extension of No. 1.

3. Chinchowfu–Aigun. This line has recently been abandoned in deference to Japanese wishes. The preliminary agreement was signed in 1910 for an American loan and

British construction. But China was not permitted to build this railway in her own territories, because Russia and Japan opposed it.

4. Kalgan–Suiyuanfu. This line will probably be built by China, but it may eventually fall into Belgian hands.

It must not be forgotten that the Belgians already have an interest in the Peking–Kalgan line, as the £1,000,000 Loan contracted early in 1912 by Tang Shou Yi was secured by this railway.

Furthermore, a point, Tatungfu, on this route will now be the terminal of the last big Belgian railway undertaking. The contract for this was signed by M. de Voss for the Belgian and French Syndicate on August 14th, 1913. Although this Loan has yet to be sanctioned by the Chinese Parliament, memoranda of the Agreement have been exchanged between the Syndicate and the Chinese Government. The Loan amounts to £10,000,000 at 5%, and the enterprise is immense. Truly the Belgians have secured a big prize in obtaining the construction of this railway. The line is to extend from Chengtufu (in Szechuan) through Hsianfu (in Shensi) and Taiyuanfu (in Shansi) to Tatungfu on the Peking–Kalgan extension. It is to be the third big trunk-line to join up Northern with

Central China, and when in course of time Chengtufu joins up with Yunnanfu it will be the longest of the three.

5. Chengtingfu–Techow Railway. To connect the Pekin–Hankow Railway with the other big trunk-line which runs from Tientsin to Pukow. This line is not yet built, but it is being talked about.

6. Chefoo–Weihsien. To connect Chefoo with the Shantung system. This line is not yet built, but it is being talked about.

7. Tatungfu–Puchowfu. To connect Shansi province with the Shensi railways at Tungkwan. This is all included in the new Belgian railway concession, to which reference has already been made.

8. Tungkwan–Honanfu
9. Hsianfu–Tungkwan
10. Hsianfu–Lanchowfu
11. Lanchowfu–Ilifu
12. Kaifeng–Hsuchoufu
13. Hsuchowfu–Chingchiangfu
14. Chingchiangfu–Haichow or the Sea

These are all sections of the other great Belgian railway undertaking to link up the distant province of Kansu with the sea.

Now before we go on with Mr. Ker's list we must examine these two enormous trunk-lines, which are going to be constructed with Belgian

money. In another part of this book reference has already been made to Belgium coming to China without soldiers. We might almost go so far as to say she comes to China without diplomats. Certainly her diplomats are very little heard of at Peking, because probably they are wise enough to remember that they represent a business people, and that political interference with Chinese domestic affairs does not pay commercially. If Belgium lends money to China, she is far too wise to ask how it is going to be spent. All she asks for is good security. Look at the loan contracted by Tang Shou Yi in March 1912. Belgium lent £1,000,000 to China upon the security of the Peking–Kalgan Railway.

It never entered Belgian minds to ask how the money would be spent. It was sufficient to float the loan without also desiring to spend it. The security was certainly good—in fact, the Belgians were looking out for good commercial advantages rather than for empty political ones, and while the other nations quarrelled for the bone, Belgium sucked out the marrow. It is, of course, impossible entirely to separate finance from politics or commerce from either. But politics should be looked upon by foreigners in China as subsidiary to commerce, and not of major importance to it. Western nations sometimes overrate the benefits of their own type of

civilization when they set about forcing it down Oriental throats. India has progressed under British rule, it is true, but this progress is due much more to Great Britain policing that country than to any system of government borrowed from the West. In time of peace any country will go ahead. In time of civil war or insurrection any country is bound to lose ground.

It is marvellous what strides China has taken in spite of her last few years of revolution. But because her political waters have been troubled, ought foreign nations to fish in them? That is the question China naturally asks herself. The Chinese people and the Chinese officials are very jealous of their native land's integrity. Because the Chinese is by nature a trader rather than a soldier it does not follow that patriotism is absent. It is not absent, but it appears in a different form from that which the Westerner expects, and so he fails to recognize it.

When a nation like the Belgian comes to China to do a business deal without seeking to interfere in China's domestic affairs, the Chinese Government becomes much more responsive. And what is the result? The trading nation soon finds herself in a far better position than the ones which use coercive methods. With the former China likes to do business; with the latter she does

it only under a cloud of suspicion and mutual distrust. Had the diplomats kept their hands off the Big Loan negotiations, those negotiations would have been concluded months earlier.

Other nations wailed when they heard of Belgium securing her loan on the Peking–Kalgan Railway. We now hear of her getting the Chengtufu–Tatungfu Railway contract. She had already pocketed the order to build the Great East and West trunk-line from Kansu to the sea. The Department of Communications signed this loan agreement with the Belgian Railway and Tramway Company on September 24th, 1912.

Just imagine the magnitude of those two projects. Picture the business they will entail in Antwerp, in Brussels and in France. The engines to be constructed, the engineers to be sent out. Two big trunk-lines—one from north to south, the other from east to west. The Hanyehping Steel Works could not possibly supply rails for more than a fraction of these huge undertakings. What country will chiefly benefit by the order for steel rails. America? Germany? England? No, Belgium—the land which lends without trying to secure political advantages; the land which pays more attention to business than to wrangling; the land which does not hold a bayonet to China's throat. In this case the

Chinese Steel Works above-mentioned is not likely to be called upon for even the fractional amount of material it could supply, for under both these huge railway contracts the Belgians have the monopoly to furnish the whole equipment. Think of it! The whole equipment for some two thousand miles of railway.

Other foreign nations may well look glum when they think of these lines. They prove how Belgian interests have shot up, as it were, in a night. They show the futility of bullying China instead of helping her. But these important agreements were negotiated and signed up in absolute secrecy when the Group bankers and diplomats thought they held China securely bound in chains of gold.

The shock these gentlemen received on September 24th, 1912, was bad enough, but the succeeding one of August 14th, 1913, must have come down upon them like a bolt from the blue. They must have realized that the Belgians had brought off one of the biggest *coups* of modern times, and their lack of consideration for China's necessity, in regulating their Chinese finance policy from the Balkans, really called for some such lesson in national politeness.

The representatives of the *Compagnie Générale de Chemins de fer et de Tramways en Chine* certainly let no grass grow under their feet. They stole a march on the Group

financiers, backed up as they were by Government officials. They took their opponents by surprise when resting by the summer sea in self-complacent security.

China may have been partly influenced by gratitude to these Belgian operators, giving them these railway plums because they came forward in March 1912 with a million of money at a time when China sorely needed it, and when she bitterly resented having to submit to the spur which the Group financiers applied without short measure. But other causes besides gratitude must have been at work. The Belgians evidently were much more wide-awake than were the representatives of other nations, who might have participated in these undertakings.

The Belgians also had a distinct advantage in that they were not participators in the Group's Big Loan. If they had been, they would have been prevented from making the loan they made in March 1912. They would have been stopped by a threat of losing diplomatic support. They also must have understood China's little ways to have secured such lavish treatment as they have. We are tempted to wonder whether it is a coincidence that both these huge railway contracts of 1912 and 1913 should have been signed at a period of the year when Peking is least full.

During the summer North China becomes

extremely hot, so that all well-to-do people hurry off to Japan, or to Europe, or to the seaside for the months of July and August, and they do not return to the capital before September, unless they are compelled to do so. It is only to be expected that a financial firm, which hopes to secure an important concession secretly, should wait until jealous rivals have gone to bathe in the silver sea. In this case the bathers came out late, but only to find their clothes had been stolen in the meanwhile. It was no use being angry about it. The Belgians were out in China for business, just the same as everybody else. They could hardly be blamed if the Chinese Government showed a disposition to treat them with an exceptionally marked liberality.

How far these Belgian railway contracts will affect China's political future cannot be foreseen at the present time. Russian diplomacy may be mixed up in them, as has been so often reported, or Russia may have no concern with them whatever, as M. de Voss, as well as the Russian Minister at Peking, have both declared. Probably Russia is not actively interested in these undertakings at the moment, although some understanding may exist about the Peking–Kalgan extension line. That line, of all others, is particularly important to Russia.

In little ways we may follow the working-

out of Russian annexation schemes through railway enterprise. She has begun to build a line southwards from near Lake Baikal to Kiakhta on the Mongolian frontier. That this line will eventually make its way to Urga goes without saying. It will soon be a continuation of the Peking–Kalgan extension. On July 4th, 1913, Russia also demanded repayment of the £400,000 Loan which was made to China on account of the Chengtingfu–Taiyuanfu Railway. On that date the Russian Minister reminded the Chinese Government that the time for repayment had passed, and that, if the sum could not be paid, a portion of the line must be placed under Russian control.

With these little facts in front of us we may perhaps be inclined to take the Russian Minister's denial of interest in the Belgian contracts with some reserve. The significant point is that the *Compagnie Générale de Chemins de fer et de Tramways* brings into effect the identical scheme which the Russians long ago cherished of obtaining domination in certain spheres in China. The Russian scheme was to drive a line from Andijan, the terminal of the trans-Caspian system, to Kashgar and onwards right through Chinese Turkestan to Suchow and Lanchowfu, and thence through Honan to the sea somewhere at the old mouth of the Yellow River, or

perhaps nearer the Yangtse mouth. From Suchow, in Kansu, to the sea is now in the control of this Belgian syndicate.

The other Russian project was the one we have already considered—to join Lake Baikal with Urga and Kalgan, and to drop a line of railway southwards through Shansi. Nearly all this route is also in Belgian hands, in so far as the Chinese portion of it is concerned. "The Far Eastern Review" has summed up the situation in a remarkably able article, as follows:

"Russia, in the latter years of the Manchu regime, used every possible influence to secure the rights for these lines, but the Manchus—corrupt, short-sighted, and disregardful of the welfare of China as they might have been, and as they were alleged to have been—never once lost sight of the danger that lurked in such a proposition, and they successfully resisted every move made and every blandishment offered to seduce them to forget what they believed to be the best interests of their country. They declined to employ European money in this direction at any cost.

"So scrupulous were they, indeed, to avoid complications which might give the claws of the Bear even an indirect hold upon the carcass of their country that they would never, under any circumstances, hypothecate the Peking–Kalgan lines as security for any

loan floated by European financiers. Not even the terrible temptation caused by the dire lack of funds which threatened their tottering throne during the Revolution caused them to weaken in this resolve.

"They could have had money on the security of the Peking–Kalgan Railway which might well have turned the scale in their favour, but they forewent it—and they fell.

"Yet what did we see? We saw the Premier of this young Republic—which, it was claimed, would tread underfoot the corruption and the neglect of country which characterized the Manchus—pledge that line as security for a million sterling from the Belgians almost within one month of the abdication of the alleged 'rapacious enemies of China.'

"Thus the Republicans broke down without a moment's hesitation what was a tradition with the Manchus. Nor was that enough. Within one and a half years of the abdication of the Manchus, the Government has given to European financiers, who are alleged, rightly or wrongly, to be influenced by Russian interests, the very railways which Russia strove vainly to obtain from the Manchus."

Let us now return to Mr. Ker's list of railways projected in 1910.

15. Chingchiangpu–Kwachou (on the Yangtse opposite the Chinkiang Railway). It was

proposed to build the line from T'ungchou at the mouth of the Yangtse through Chingchiangpu and on to Haichow. The loan agreement to build the section from Tunchow to Chingchiangpu was recently abandoned, however, owing to the proposed line conflicting with a section of the Haichow–Lanchow Railway.

16. Hsinyangchow–Fengyang or Pukow. This line is now about to be constructed by the British and Chinese Corporation's £3,000,000 Loan, but it is not probable that Pukow will be a connection. A glance at the map will show that this line is intended to link up the two big trunk-lines now running from Northern to Central China.

17. Chaochowfu or Swatow *via* Waichow to Sheklung. This is part of the scheme to run railways all along the coast. Not yet built.

18. Macao–Fashan. Ditto. Not yet built.

19. Kweilin–Chuanchow (Kwangsi). This is part of the bigger scheme to join up Yunnan with the Hankow–Canton Railway at Hengchoufu.

20. Langson–Lunchow. To link up the Tonquin railways with the Chinese system.

21. Yunnanfu–Szechuan. This will eventually be the extension of China's third great trunk railway, extending from north to south. It will join Yunnanfu with Chengtufu.

22. Bhamo–Tengyueh. To join up Burma with Yunnan. Nothing decided yet.

With these various projects it will be seen that, owing to revolutions and other causes, very little real progress has been made since 1910. The one outstanding completed piece of work is the Tientsin–Pukow Railway, with its extension to Shanghai, that can be pointed to with pride as a *fait accompli*. At the same time, some progress is now being made through the £6,000,000 Loan floated in 1911 for continuing the Peking–Hankow line southwards from Wuchang through Changsha eventually to join up with Canton, as well as to carry the Yangtse Valley line westwards beyond Ichang. To the English, German, and American sections qualified engineers have already been appointed.

This railway system is generally known as the Hukuang Railways. Work has, however, been delayed more than once owing to political disturbances upsetting the Loan. Tsen Chun Hsuan was originally made Director-General of these lines, but when he became General-in-Chief of the Anti-Yuan forces he resigned. In his place the Vice-Minister of the Board of Communications was appointed.

After the fall of the Manchus, the foreign bankers insisted upon revising their loan agreement because the security upon which

it was based had been undermined. More recently the Anti-Yuan revolt has upset things again, but preliminary work is now being proceeded with, pending a satisfactory arrangement being arrived at with the bankers.

It is quite impossible within the scope of one chapter to pay attention to every little piece of railway-track which is being proposed or actually laid down in the whole of China's vast territory. Suffice it to say, that proposals to link up Mukden with Peking *via* Jehol, to link up Nanchangfu with Pinghsiang, to join Anking with Chengyangkuan, and Kiaochow with Yichowfu are now assuming some definite shape.

In addition to these lines Yunnan is becoming a centre of railway interest. As has already been mentioned in another chapter of this book, Messrs. Carlowitz recently made a bold bid to secure mining concessions in Yunnan under the offer of railway construction, and, it must be remembered, Yunnan is one of the most promising provinces in all China from a mining point of view.

In 1912 it was proposed to build the Yunnan–Kueilin Railway, and the gentry of the three provinces—Yunnan, Kueichow, and Kwangsi—conferred with a view to furthering the project. They decided to start a subscription, and perhaps to raise a foreign loan. They also desired to form a coalition with the

Szechuan–Hankow–Canton Railway, and they elected the Director-General of those lines, Tsen Chun Hsuan, to be their Director-General. But Tsen Chun Hsuan later became a rebel leader, and resigned his place on the board, as mentioned above.

To sum up all these various completed or half-completed railway projects :—China is going to have three main trunk-lines running from north to south. These all start within a hundred and fifty miles' radius of Peking, and as they run south the outer ones radiate outwards like a fan. They will join up, respectively, Peking with Shanghai, Peking with Canton, and Peking with Yunnanfu. These big trunk-lines are going to radiate outwards from Peking in the same way that the old Chinese highways used to do.

The latter have long since fallen into disrepair, but their courses can still be traced by the enormous flag-stones with which they were paved. Their cost of construction and up-keep must have been enormous, but the cost of constructing railway-tracks is not light. On the Kowloon–Canton Railway, for example, there was a mile and three-quarters of tunnelling in the first twenty-two miles. This item alone cost $3,700,000. The cost of the untunnelled twenty miles and a half worked out at about $6,500,000, inclusive of workshops and equipment. This railway, of

course, was built eventually to receive a double track, and if its track were doubled the cost would work out to about $370,000 per mile. If the bridges and cuttings had been built solely for a single line, it would have worked out at $240,268 per mile.

Let us now turn to the Tientsin–Pukow Railway. The northern section was constructed under German supervision. The southern was constructed under British supervision. The cost of the northern or German section worked out to £10,473 per mile. Or, if the cost of the Yellow River bridge be excluded, to £9,160 per mile. The total milage of this section was 457 miles.

The cost of the southern or British section worked out to £9,606 per mile, and it had a total milage of 236½ miles. It would be interesting to compare old Chinese statistics of stone road construction against these figures.

But think what benefits the railway brings to man, to industry and to civilization. Civilization is carried by the ton in every truck that runs. It is also carried at remarkably cheap rates. If it were dumped into carts, either the axle of a wheel would break or the civilization would get jolted out. Moreover, cartage rates in China are very expensive. In winter-time, in the neighbourhood of Hsinmintun, it costs $1.50 to cart a ton of soya-beans seventeen miles.

By railway a similar distance would probably cost seventeen cents. Near Mukden the cost of carting a ton of beans works out at ten cents to the mile.

The railway, therefore, is a hundred times quicker, as well as being ten times cheaper, than country cart transport. China is also going to have three main trunk-lines running from east to west. Two of these are being put in hand now. The third and southernmost is rather more behindhand in its development.

Roughly speaking, the fan's handle is now to be Shanghai. This busy seaport will be the ultimate place of convergence for the east to west lines, which Peking becomes for those from north to south. When these lines are built, they will run more or less directly from Shanghai to Lanchoufu, from Shanghai to Chengtufu, and from Shanghai to Yunnanfu.

Now a very marked change is coming over China's railway development. All her railways are becoming nationalized. Within this last year one provincial railway company after another has been brought within the national fold. But that is not all. Their systems of keeping accounts are to be unified, and these two changes alone will prove to critical onlookers what strides China is making along the pathway of reform.

It certainly is high time something was done

towards the unification of railway accounts, for they have shown themselves badly in need of it. Hitherto some of them have been kept in English, while others have been kept in Chinese. Some of them have been kept in French or German or Japanese. Some would almost seem to have been kept with the special object of making the money's expenditure difficult to follow. And then several were faulty through sheer ignorance, crass stupidity, or gross neglect.

Just as England took strong measures in 1868 to regulate her railway accounts by passing the Regulation of Railways Act, so China intends to take up the question at the earliest opportunity. But there is a big difference between English and Chinese railway companies. The English companies realize the benefit of securing uniformity in their balance-sheets, whereas the Chinese companies will probably object to interference with their existing methods. It will probably be found more difficult than in England to get them to institute a standing committee to secure uniformity of practice among all railway companies in rendering their accounts. In past days theft and *laisser-faire* have clogged railway enterprise in China, but Chinese officials have profited by such a state of affairs, and they will not want to change.

These officials have never been trusted

even by their own countrymen. The public well knew that if they subscribed money or took shares in any purely Chinese undertaking they obtained no return for their money either on paper or on the railway-track. Recriminations followed, directors resigned, and nothing was done. Foreigners saw their opportunity and rushed in. But they often rushed in with terms which were outrageously one-sided.

The whole object of this book is to clamour for fair treatment for China. It is admitted that guarantees are needed in any financial dealings. More particularly are they necessary in dealing with an Oriental nation. More necessary still do they become when that nation's past is one long record of duplicity and corruption, such as China's past has been. But the British public should object very strongly to foreigners looking upon China as a helpless milch-cow only to be despoiled.

In a recent railway loan agreement contracted between the British and China Corporation and the Chinese Government over the Pu–Hsin Railway a fair mean seems to have been attained, judging from the following extract of a ministerial despatch :

" In comparison with the Shanghai–Nanking Railway, this contract affords many more advantages to the Chinese. Besides this, the Syndicate agrees to make advances, the

Director-General has the liberty of locating the line, the amount of commission is reduced, and the bonus is dispensed with. In general, we have obtained all we can expect, and the right mean is attained, etc., etc."

Very different is the agreement which China entered into with Germany to build jointly the Kiaochow–Yichowfu Railway. The proposal was shelved for some time, as China had no funds. But recently the Chinese Foreign Office received from the German Minister a note to the following effect: (1) China shall give permission to Germany to build the Kiaochow–Yichowfu Railway, passing and connecting with the Tsinanfu Railway. (2) Within 30 li of the line the Germans shall have control of mining. It is also reported that the German Minister called upon the Chinese Foreign Office, and intimated that if a decision was not come to within eighteen days, Germany would proceed with the building of the line.

Now, the exact length of this line is not important, but it might be, approximately, 120 miles. A ten-mile stretch on either side of the track would give Germany control of all mining operations over an extent of some 2,400 square miles—not an inconsiderable commission to accept for helping one Chinese province with its transport difficulties. There can be no doubt about it—such a line of

railway undermines China's integrity, though it may operate in opening up her mines.

We have already remarked Germany's offer during the Big Loan negotiations not to object to an Englishman being appointed to look after the Salt Gabelle, provided Germany should be given control of both sections of the Tientsin–Pukow Railway.

Under these railway schemes Germany has designs on a province. She has a big population. Her colonies are few. She has clamoured for a place in the sun for a very long time past. She has followed, very carefully, the actions of Great Britain in India, France in Cochin China, Russia in Mongolia, and Japan in Korea. She wishes to secure her footing in Shantung, and she seeks to do this through the Shantung railways.

The latest railway agreement for the construction of a line from Canton to Chungking, signed by the Chinese National Railway Corporation and Messrs. Pauling & Co., Ltd., has not apparently been finally sanctioned yet, so there is not much object in discussing it. We will, therefore, bring our consideration of China's railway concerns to a close.

CHAPTER X

CHINESE LABOUR OVERSEAS

The years between 1904 and 1909 must have brought the importance of mining very prominently before Chinese men of both high and low station alike. During that period, the South Africa system of Chinese indentured labour was in working order, and busy ships were steaming backwards and forwards between Durban and Chinwangtao, carrying coolies and letters from coolies, and earnings to be spent in China, all upon a scale hitherto unknown to the Chinese peasant's mind.

Machinery and head-gears had cast their shadows upon the most distant Chinese homes, in exact proportion as the sons of those homes had had their ears deafened by falling stamps or the ringing of "skip" bells. Their appetite for money had also been stimulated by the shillings they were able to acquire on the Rand. It was truly a busy time, and returned coolies told tales of the white man's ways, of the friends who had died or had gone to prison, of their conditions

of life and of labour, which must have made ignorant village maidens cackle or tremble or marvel at the big South African world, whilst fathers and mothers grinned and wondered what the stupid "black devils" were like.

In their calm moments of reflection in the peaceful kaoliang fields, these Chinese peasants must have pondered over the highly-developed organizing powers of the industrial man of the West. Never before had they seen such a monument raised to those organizing powers, because never before had such a huge system of indentured labour been attempted in the whole histories of man. As they marvelled, they pocketed their remittances, and were, no doubt, extremely sorry when their mining relatives returned to the cottage home.

The questions involved in the organized employment of Chinese labourers overseas are so many that it would be impossible to give them all space within the narrow limits of this chapter. Moral considerations fight with economic considerations, or sometimes dreams of an ideal white man's democracy step in to prevent a clear judgment being formed upon other issues. All these multitudinous points of view received more than a little consideration between the years 1904 and 1908, when Chinese slavery became a political party-cry in England. At that time every-

body turned this little labour truth, or that little labour lie, to suit his own particular interests. Now there is a prospect of these dormant questions coming into prominence again, because Chinese labour is about to be organized for British North Borneo. It is also being clamoured for from two other quarters—namely, the Belgian Congo and Fiji—so that the chances of renewed interest in the subject are great. For these reasons we will now consider some of its more salient features.

The first point of importance to anybody who proposes to export yellow labourers abroad is the land into which he proposes to import them. If it has white ideals, such as Canada, America, or South Africa, then an indentured system is the only one possible ; but there must be a strict understanding that every Chinaman shall be returned to his home when his term of indenture is over. If the colony to which these men are being sent should happen to be a " melting-pot " colony like Mauritius or British Guiana, then these men may improve the land's indigenous stock, and may be even encouraged to stay on after their indenture is over. In British Guiana, for example, the East Indians who are imported from oversea to work the sugar-plantations are indentured for five years' work, but for ten years' residence. They are allowed to take

up government rice land very cheaply, and every effort is made to induce them to make British Guiana their home.

But British Guiana is not a white man's land. Geography and a tropical sun have mapped out another future for it. White men cannot work in the fields, and the complexions of its inhabitants range from black, through liver, to jaundice. In a white man's colony the yellow man cannot absorb readily, and he can always undersell, owing to his absence of a white man's "wants." In any community the man who can undersell is the man to be feared. He is the really strong man. If any community has reason to suspect this potentiality in a stranger, it is wise to keep him outside the door. Furthermore, most right-thinking people are very much against mixed breeding between East and West. The collie is a good breed of dog; so is the pug; but do not mix them. Having formed his conclusions upon these anthropological problems, the importer naturally asks, "From what part of China ought I to draw my coolies?" The answer is, "From the north, and for preference from the villages rather than from the towns."

The organization of Chinese labour from the south has been tried upon more than one occasion, but it has never been successful. *Vide* the experiences of France over the

construction of her Tonquin railways. *Vide* the Chinese labour experiment which was tried in British Guiana to work the sugar estates some thirty-five years ago. *Vide* the batch of 500 Cantonese coolies whom Mr. Jamieson had under his command on the Rand in 1905–6. In each of these cases it was found that the Chinaman from the south is more trouble than he is worth.

On the other hand, the Chinese labourer from the country districts of the north is a most excellent worker, besides being physically hard. Much care is necessary, however, in his selection, for it must not be forgotten that Chinese law is infinitely more savage than that of any white nation, and the Chinaman has endured privations for so many generations that prison has no terrors for the Chinese scamp. Very naturally when a system of labour recruiting starts in China there are numbers of these scamps desirous of escaping punishment at home by undertaking to labour abroad, although they really have no intention of doing any work whatsoever.

Now, good behaviour amongst coolies indentured abroad depends not upon one cause, but upon a variety of causes. Even if the greatest care be exercised at the recruiting depot in the selection of candidates, some of these causes will continue to tell against the employer's interest to an extent that would

be impossible if these same labourers were on contract in China.

For instance, neighbours, the good opinion of neighbours, the talk of neighbours, the labourer's family, his father, his mother, the environment of his daily life in China, all tend to keep his conduct more or less in a state of equilibrium. Remove those forces and there is danger of upsetting this condition of stability.

When he is indentured abroad, of course, none of these hidden causes act. He will probably not take his wife or family with him, even if his contract permits him to do so, besides which a wife in China has not been in the habit of taking her place in the world as she does in western lands. A gradual change is coming over the scene in this respect, but it will be many years before this budding change filters down to the villager's hut.

The coolie's good behaviour also depends upon good management and good organization. It is ridiculous to dump down batch after batch of yellow labourers into a new country where they are absolutely inarticulate without expecting trouble. Coolie inspectors, Chinese interpreters, separate Chinese courts of justice, will have to be thought of first.

Of one thing we may rest assured—and the writer has had a long experience of dealing with Chinese and East Indian labourers—

every complaint must be looked into, whether it appears trivial to the European or not. If it be trivial, and the European finds it so, he will, of course, decide against the petitioner, who will go away satisfied; but if it be not looked into, the Asiatic will go away nursing a grievance.

The coolie's good behaviour also depends upon the man under whom he works. If this man is a European ganger, it is probable that he will be a low-born, low-class creature. In that case he will display the virtues and the vices of his class. But trouble is sure to arise if the ganger "in his cups" becomes familiar with his Asiatic underling, and then next minute deals him a blow in the mouth. That sort of behaviour no Asiatic understands. In consequence he will resent it.

Trouble of this sort was particularly frequent on the Rand when Chinese were there. The European ganger had, of course, not handled Chinese labourers before. His ideas about subject races began and ended with the Kaffir—the lowest of all human races—and he not unnaturally treated the Chinese like a dog. He forgot that John Chinaman, as a man, can compare with the white man, which no other race under heaven can do. The white man's power lies in the fact that he is a constructive creature. He can think out great undertakings. He can build stone

cities. He can invent. John Chinaman has greater endurance than the white man, and his constructive abilities are nearly as marked.

Compare the Japanese : he is almost utterly imitative. Where is his Great Wall ? What monuments of stone or legislation has the Japanese contributed to the world ? The same remarks apply to the East Indian. Has he constructed anything new ?—a motor-car ?—an aeroplane ? With the possible exception of the Taj Mahal, can we recall anything in India which betokens a constructive people ?

But the Kaffir, of course, is beyond a hope. Take away the white man's influence and the negro instantly sheds his coat and trousers. His education vanishes. He steps once more into the rôle which nature intended him to play, but which civilization tries to upset—the rôle of hewing wood and drawing water. He goes back to his banana and his dug-out canoe. When such a man as this is assaulted by a white man, even a low ganger, he still feels the weight of the white man's superiority. He rarely retaliates. He never combines with others to secure revenge. When, however, John Chinaman is assaulted under similar circumstances, he asks himself if he has deserved punishment. If he has not, he nurses revenge, and will combine with his friends for the tyrant's overthrow.

Reasons such as these caused the riots which occurred in mining compounds before properly qualified Chinese inspectors were sent out to South Africa in 1904–5. After the inspectors had arrived, riots practically ceased, although desertions from the mines were never quite checked.

Although the Chinese were empowered to take their women with them to South Africa, very few availed themselves of this privilege, and probably this was a good thing, from a purely South African point of view.

But if the country into which it is proposed to import yellow labour should be a " melting-pot " colony, where Chinese may be allowed to live and settle after the expiry of their indentures, then their women should certainly accompany them.

To British Guiana the Bengali Indians are accompanied by their wives. The latter are, in fact, actually indentured as labourers, and they perform the lighter kinds of plantation work. They do the weeding and some of the cane-cutting, but none of the heavy shovelling, which requires a physical endurance to be expected only from male labourers.

Whether the Chinese Government would allow peasant women to be indentured abroad for agricultural work we do not know. There is no reason why they should not. Agricul-

tural work is the only kind of physical labour which the Chinese woman does perform at present in her own country, and if the Indian Government does not object to women being indentured, why should the Chinese?

The woman of Asia is just beginning to peep out from behind the purdah—timid, but full of curiosity to see what the great world is like. That she was the complement of man in a domestic sense she realized long ago, but never did she dare to try to influence events which took place beyond her cottage door.

But the Press and the spread of education are coaxing her out of her passive, voteless path. She is peeping out from behind the purdah, and she is distinctly interested in what she sees. In China there has never been a purdah, in the proper sense of the word, and yet the Chinese woman has hitherto lived very much behind the purdah. She is now peeping out, just as her sisters in India and Japan are also peeping out.

It is the sight of those timid, delicate, girlish faces which tells us that Asia is changing fast. Ideas are beginning to circulate, and woman must henceforth be hedged about by free intercourse with man and by knowledge —not by ignorance and curtained courts. America has shown the world that the segregation of woman in ignorance behind a curtain

is the worst protection she can have, and though Asia has not yet subscribed to that view, the harem veil is being gently rent in twain by the ladies who have lived so long behind it.

It was probably the absence of women which led to the outcry against supposed vice in Chinese compounds on the Rand. The matter of course was grossly exaggerated, as is nearly always the case when events take place in one quarter of the globe, whilst criticism upon them takes place in another.

There may have been traces of the vice complained of, but proved cases were remarkably few and far between. If 60,000 males were chosen from the lowest class of any country in the world, and were shut up without their women inside a compound for three whole years, what would the result be? We may be sure it would make a very much worse showing than the Chinese experiment made. Cases of vice there certainly were on the Rand at long and rare intervals, but they were so few as to be of no real importance whatever.

The Chinese seem always a little peculiar in regard to their passions. During the dark days of the Boxer outbreak and of subsequent revolutions, when hundreds of missionary women were in their power scattered about the country, they never once ravished a white

woman. At the same time, they seem to experience no difficulty in conquering a woman's resistance to their charms. This is not only true where the white woman is concerned, it is true in Burma, and the Lao States, and in Siam. The Chinese merchants in Burma are always the husbands of the prettiest Burmese beauties, and Burmese girls would rather be married to a Chinaman than to one of their own race.

In South Africa one or two other little peculiarities came out in the course of John Chinaman's stay upon the Reef. The Chinese had a distinct craving for the insanitary practice of exhuming their dead comrades with a view to sending their ashes back to relatives in China. They usually waited until the corpse had been buried a year or two before they filed their exhuming petition, and then the Chinese inspector was expected to obtain permission from the local authorities to dig the dead man up. It was as well always to stand a few hundred yards to windward, but the operation could be supervised from that distance just as well.

The Chinese prepared a big pile of sticks, all well soaked with paraffin oil. They dug up the coffin and laid a long stretch of galvanized iron upon the sticks and wood. Then with a few sharp strokes of the hammer they knocked off the coffin-lid, upset the ghastly

contents of the coffin upon the galvanized iron, and set fire to the sticks and wood without any great delay.

The whole operation was all over in a very few minutes, but those few minutes were not altogether pleasant ones. In truth, they were rather unpleasant. After the corpse had been quite burned, the ashes were carefully collected and sent to relatives away in some distant Chinese town, where, it is to be hoped, their receipt gave more satisfaction than their manufacture had done in Johannesburg.

It was necessary, of course, to compound the coolies inside high walls surrounding their quarters and kitchens and bath-houses. They went to work in two shifts—a night shift and a day shift. On leaving the compound, they were expected to go down to work. If they were absent, their gangers reported their absence. On completing their day's work, they returned to the compound, where the gate-keeper kept a check upon every man who passed him. In spite of these arrangements, there were always a few deserters at large in the open country, and the reason was usually gambling.

Now every Chinese is a born trader as well as being a born gambler. When he lends money, he wants high interest. When he gambles, he sooner or later wants money. But the gambling coolie in South Africa could

only obtain financial accommodation of this sort from a "police-boy" or from a "boss-boy," who were in some sort of authority over other labourers. These boss-boys and police-boys were indispensable, but they were much inclined to take advantage of their position. Of course, they levied toll upon every labourer, or that labourer's life would hardly have been worth living. They had means of making their power felt which no white man could follow, and they consequently became rich. When labourers came to borrow money for gambling debts, they lent it, to be sure, but they lent it at 12% per month interest. The average coolie's pay ranged between one and two shillings a day, according to the amount of work he did. He got his food and lodging free, it is true, but no man can afford to pay interest on borrowed money at the rate of 144% per annum. The coolie was then forced to gamble again in order to try to regain his independence. If he lost, his position became more hopeless than ever. If he refused to pay his monthly debt to the police-boy, he would be worried, and falsely charged with crimes, and secretly beaten. If he worked at the top pitch of his strength, rock-drilling for three whole years, he would still be in debt when his indenture came to an end. Not unnaturally he summed up all these considerations very quickly in

his mind, and saw that his only chance of salvation lay in desertion, so he deserted and deserted again.

In spite of the ordinance regulations against Chinese gambling, gambling remained the crime of the Reef. Most of the murders that were committed by yellow men could have been traced to this cause. In any new scheme for organizing Chinese labour which may now be under consideration, this gambling evil must be faced in all its bearings. To that portion of the British public which knows little of Chinese affairs it may be interesting to follow the passage taken by the coolie from his village in China to the compounds of the Rand.

The first thing, of course, must be the organization of some recruiting system contracted for by one or more firms in China. In 1904 a Labour Importation Agency was formed by the Rand mines, and the Chinese Engineering and Mining Company shared with Messrs. Forbes and Company the responsibilities of supplying the labourers. Land was rented at the port chosen for embarking the coolies, and the coolie camp was run up at Chinwangtao. After that it simply became a matter of supplying the coolies, but the matter was not so simple as it may seem at the first sight. Many considerations had to play their part. There was the Chinese Government to begin

with. At that time the Manchu Empress Dowager was on the throne. A big poll-tax had therefore to be paid for every Chinaman shipped abroad. Big bribes to Chinese officials had to be taken into account too.

There were also doctors to be considered. The Chamber of Mines at Johannesburg naturally wanted strong, robust coolies, and the doctors received strict orders that only fit men were to pass the medical examination. But, of course, every man discarded by the doctors sent up the cost of recruiting, because the Chinese contractors found they had to bring down thirty, or forty men from up country in order to get ten men passed fit. These contractors were paid a certain sum for every man who passed the medical examination, but not for the others. Special rates had, therefore, to be arranged with the railway for returning the discarded men to their homes. With this question of cost the size of the ships used for transporting the coolies also became important. Obviously small ships were impossible, because oceans had to be crossed, and a big ship could only make about three journeys out and back in the course of a year.

In organizing any other system of indentured labour this point must be carefully borne in mind. It shows, moreover, that the machinery necessary to supply five hundred coolies to

Africa would be just as expensive as the machinery necessary to supply nine thousand. Particular mention is made of that figure, because a ship of about 5,000 tons, when properly fitted up, should be able to take 3,000 coolies each trip.

Meantime our friend the coolie has not yet reached the ship. We have only seen him coming down to Chinwangtao with a batch of fellow yokels under the Chinese recruiting contractor. Upon arrival all he needs is a meal, and then he is ready for the doctor. If he passes, he is kept at the depot until the arrival of his ship. He is fed. He gets a blanket and a suit of clothes given to him. In addition to these things he receives a registration number on a metal-ticket, together with a copy of his contract of service.

After an interval of perhaps a fortnight, he sails, and the land of his fathers knows him no more for a space of three years. But this apparently easy evacuation from the village into the ship demands a great deal of organizing at the recruiting agency. Finger-prints have to be classified ; clerks have to be employed ; white men have to be found to manage the coolies both at the depot and on board ship ; and a hundred and one details have to be attended to which it would be impossible to mention here.

Each steamer carried two doctors, who were

responsible for the health of the coolies during the voyage; they were paid by the Transvaal Chamber of Mines Labour Importation Agency, and received salaries of £50 and £40 per month. An overseer who spoke Chinese was also carried on each vessel; he was held responsible for the good behaviour of the coolies, and had to look after them in a general way. Very often on arrival of the ship at Durban he went up with the coolies to their respective mines, and was employed by the mine in question as a Chinese controller; otherwise he went back with the ship and brought out a fresh lot of coolies. His salary was £40 per month, and this was paid by the same agency.

The South African coolies were imported under an ordinance which had been drawn up by the Transvaal Government. In its preamble were set forth the reasons why yellow labour was considered necessary for the mining industry, and after this were certain regulations for directing the general good behaviour of these strange yellow men. Penalties for the infringement of these regulations were also attached. This ordinance was necessary, because what might be no crime for an ordinary free citizen might be a very serious crime where an indentured labourer was concerned. Refusal to work, for example, though no crime in the ordinary civil code, was a

serious matter from an employer's point of view. Thus the coolies were amenable to the ordinance as well as to ordinary civil law.

At first all charges against coolies were heard in the courts of resident magistrates, but soon it became evident that the dispensation of justice would become paralyzed if every little labour crime were taken into Johannesburg. Furthermore, the employer would not benefit by the time his coolies wasted in going to court, awaiting trial, going to prison, and returning to the mine. Employers therefore tried to avoid these inconveniences by beating coolies in their compounds. This, of course, raised an outcry from the British public rather than from the coolies themselves. But it ended in the Chinese inspectors being granted magisterial powers to hold a court every day in their various mining districts.

Gambling and opium were the two great sins. They both had much the same effect in unequally distributing wealth. The opium-dealer became too rich at the expense of his fellows, in just the same way that the usurious police-boy made money out of the gambling coolies. Both crimes also affected labour efficiency, the one by causing physical lassitude, the other by causing desertions.

The coolies were not allowed to be employed on any skilled labour. They mostly worked

below ground at rock-drilling, shovelling, and tramming. They were paid according to the amount of work they did, but they had to be given a minimum wage of one shilling a day. A good hammer-boy could earn as much as two shillings or half a crown.

Boss-boys and police-boys were paid a rather higher wage. But they were the aristocrats. They were corrupt tyrants, but they were useful. No, they were more than useful from a white man's point of view: they were indispensable. Good food, lodging, light, baths, were all supplied free to the labourer. Occasionally he would be given a pass to go and visit his friends on another mine, and if he became ill he received excellent medical attention. In short, he was provided with everything which would make him a physically sound animal, or rather machine; for, economically speaking, that was all he was.

It was mentioned before that each coolie on joining at the depot in China was given a metal ticket with the labourer's number stamped upon it. Theoretically, these tickets were never supposed to change hands, and there was a punishment laid down for infringing the rule. But in practice a good deal of ticket-changing went on. The deception could easily be discovered when a man deserted from his mine, because then he was bound to be arrested before long. He could

not very easily hide on another mining property, and if he took to the open country hunger would soon bring him within reach of the police. As soon as he was arrested, his finger-prints were examined, and then, of course, his real identity could be traced within two minutes. When considering the details of any new scheme for shipping Chinese coolies across the sea, a finger-print bureau both in China and at their destination is a matter of the utmost importance.

It would, however, be wise to discourage any idea of "allotments," whereby coolies remit some portion of their earnings to their relations at home. Doubtless the Chinese Government might like to see it done, because it involves little trouble to China, and it ensures an increased income to many peasant houses. To the men who operate it from overseas, however, it is an endless source of trouble and dispute.

We will conclude with a rough outline of the cost of sending Chinese to a country like Africa far afield. It can only be a rough outline, because no particular port of debarkation is in our mind's eye, but we will suppose the labour is wanted somewhere in Central South Africa. The port of debarkation might be Beira, or Delagoa Bay, or Durban.

In any case, a big ocean-going steamer will be required to take 9,000 coolies per annum.

For the first three years these ships will go down loaded with coolies, but they will come back empty, or nearly so, because their special fittings as coolie ships will prevent them accepting much in the way of cargo. If a big trading-house were contracting for the labour supply, a sufficiency of return cargo might be obtained to pay the ship's way. Otherwise a government would probably lose sight of this important question. It is a curious weakness of governments never to approach a question on purely business lines.

From the following rough estimate of the cost of recruiting 9,000 coolies for South Africa, the vastness of a Labour Importation System will be evident. Of course, the figures are only approximate, because if two or more firms were engaged in supplying labourers the cost of recruiting would go up. Furthermore, great strictness in the medical examination would raise the cost an enormous extent. But for the purposes of this rough estimate we will suppose one firm only is supplying the coolies, and that the doctors are not unduly severe.

Item 1.	To secure 9,000 coolies passed fit, at least 27,000 would have to be recruited. Say they cost $2 per head .	$ 54,000

Item 2. Feeding 27,000 coolies for 14 days at the labour depot before the ship leaves @ 30 cents . .	113,400
Item 3. Feeding 18,000 discarded coolies for 2 days . .	10,800
Item 4. Feeding 9,000 coolies on board ship @ 30 cents for 30 days. . . .	81,000
Item 5. Chartering a steamer @ $15,000 per month for 12 months . . .	180,000
Item 6. Tonnage dues . . .	1,800
Item 7. Outfit for 9,000 coolies @ $10 (part to be recovered from their pay afterwards)	90,000
Item 8. Chinese Government poll-tax @ $5 per head on 9,000 coolies	45,000
	576,000
Item 9. Margin of deaths on voyage 1% on above expenses .	5,760
Total to date . .	581,760

Now we come to a host of other items which almost entirely depend upon the port chosen for embarkation. This port might be Chinwangtao, or Chefoo, or Tsingtau, or some other port on the North China littoral. These items include railing back discarded men, doctors' fees, pier dues, rent of land, sheds

occupied by the coolies, rent of office and houses for white overseers, telegrams, stationery, printing, metal-tickets, stamps and blankets. For all these things we will estimate.

		$
Item 10.	A round figure, say . .	80,000
Item 11.	Wages and salaries at the labour depot:	
	£	
	Manager . @ 800 p.a.	
	Assistant . @ 400 ,,	
	Finger-printer @ 400 ,,	
	Chinese staff @ 400 ,,	
	£2,000 ,, or	20,000
Item 12.	Up-country wages £600 p.a.	6,000
Item 13.	Cost of coal, oil, sanitation, police, etc., at the depot @ ·50 (fifty cents) on 9,000 coolies . .	4,500
Item 14.	Doctors' fees up country @ ·50 per man shipped .	4,500
Item 15.	Fitting-up ship . .	6,000
Item 16.	Medical stores @ ·50 per man	4,500
Item 17.	Ships' wages:	
	Doctor . . p.a.	6,000
	Assistant . . ,,	3,000
	Overseer . . ,,	4,800
	Assistant . . ,,	3,000
	Cooks . . . ,,	800

Item 18. Coal @ $6 per ton for 9,600 tons. Supposing the ship burns 40 tons a day and is steaming for 240 days in the year . . .	57,600
	200,700
Carried forward . .	200,700
Carried forward items 1 to 9	581,760
	782,460
Unforeseen contingencies 10%	78,246
Total . . .	860,706

Now if we assume $10 to equal £1 it becomes evident that the first 9,000 coolies would cost about £9–10, or say £10, to land in South Africa. This, of course, represents bare cost. It allows the contractors no profit, and in view of the risks they run a substantial profit would have to be charged. Probably the importer would have to pay £15 or £16 per head for every man landed.

But, then, his expenses would not be ended, because he would have to institute all the depot machinery once more almost precisely on the same lines as his recruiting depot in China. He would require a manager, an assistant-manager, a Chinese staff, and so on. He would, moreover, have to pay railage to

the mines if a railway went so far. If it did not, the coolies might have to trek from rail-head to their destination, and that would mean a chain of roadside coolie camps. White men, of course, would be required to escort the labour gangs. These white men would require pay. Stores would have to be carried up country, and porterage up country in Africa becomes rather expensive.

If the Belgians really do employ Chinese labour in the Katanga province of the Congo, it will be one of the most interesting experiments of modern times. They must, however, compound their coolies, and these coolies should be indentured, otherwise the coolies will be wandering all over the country, and no work will be done. The proposed line from Kambove, where the copper-mines are, through Elizabethville, would link up with the Rhodesian railway system. The British Government should have no objection to indentured coolies passing over these Rhodesian railways. It is fairly obvious that the railway company would have no objection, because its traffic receipts would receive a great stimulus.

From the Chinese Government's point of view, the monetary contribution to the Treasury and to official pockets would outweigh any considerations of exterritorial rights or privileges for Chinese labourers similar to those

enjoyed by foreigners in China. Most probably China would raise these points merely as bargaining levers to secure a good round sum of money, but they would never be insisted upon when it came to a question of consent for hard cash.

As a matter of fact, the supposed attitude of the Chinese Government is said to be one of the chief obstacles in the way of the Belgian Bourse de Travail at the present moment. On this account the men in Brussels who would be chiefly interested in another Chinese labour experiment have been unable to make up their minds. Liu, the official who represented the Chinese Government on the Rand between 1905 and 1908, and who afterwards became Chinese Minister in London, suffers from exaggerated ideas of China's importance. He is reported to have declared that Chinese coolies could not be allowed to be indentured overseas on the same lines as they were before, and that if their services are required they must go next time as free men.

There are plenty of precedents for Asiatics going across the sea as free men and signing their contracts when they reach their destination, but if the Belgians mean to employ yellow men in the Katanga District of the Congo there are likely to be obstacles.

Madrassi and Bengali coolies cross the sea as free labourers to work on the sugar or

rubber estates of Ceylon or the Malay States. Upon arrival they sign their contracts and work for the time specified. But their employers do not pay for their passages to and from the scene of their labours. They simply come and go in obedience to the ordinary labour-flow, as ruling rates of pay make it worth their while to do so. If Chinese labourers were to be shipped away from Chinwangtao to Beira as free men to sign or not sign their contracts, the risk of great financial loss would be thrown at once upon the importers' shoulders.

This difficulty, of course, might be overcome by making the Chinese Government guarantee the cost of recruiting and transporting every coolie who refused to sign after getting the benefit of an ocean voyage. But, on the other hand, the Chinese Government might not wish to make this guarantee. In that case it might be possible for the labour recruiting office in China only to accept coolies who could produce a shop guarantee saying that, if the coolie did not sign his contract at the end of the voyage, the guarantors would reimburse the importers.

This would have very nearly the same effect as signing the contract straight away in China, as was done before, but it would have this subtle advantage, which must not be lost sight of: it would save John Chinaman's face.

Little delicacies of this sort appear very trifling to us men of western lands who aim always for the thing which matters. We do, at times, try to save our faces, no doubt, but face-saving is only an incidental distraction—it is never our life-absorbing passion. In China it is the thing which matters, and everything else is merely an incidental distraction.

There must be a great deal of the child's mind in the Chinese man. The child pretends this, that, and the other little piece of pretence, because it cannot help pretending, and because it finds pleasure in so doing. In exactly the same way the Chinese man pretends in every conceivable direction. He pretends, when a foreigner has obtained control of a coal mine, that the mine still belongs to him. He pretends that he is entitled to precisely the same privileges as Westerners who have fought and struggled and paid heavily for the rights they now enjoy. He pretends that because his Parliamentary delegates wear badly-fitting trousers and frock-coats that they are as well qualified to rule broad territories as any legislative assembly in the world. John Chinaman is a pretender from his cradle to his grave, because his sense of pretence is abnormally developed.

To return to our coolies. It would be absolutely necessary for the coolies to sign their

labour contracts at Beira or other port of debarkation, because the Rhodesian Government would never allow numbers of free Chinese to go roaming over their country through having slipped out of the train at some way-side station. A guarantee of some sort would, therefore, be required from the Belgian Government to obviate the possibility of this.

But supposing these difficulties were surmounted, would the Chinese Government object to the labourers being compounded when they reached the Katanga Copper Mines ? If they do so, their objection could, of course, be undermined by money, but their consenting price might be so high as to be prohibitive from a commercial point of view.

At the same time, if the Chinese labourers are not to be compounded in some way or other, no work will be possible. Probably they need not be compounded by high walls. They might have barbed-wire fences run round their lines, and the local magistrates might issue prohibitions against those boundaries being crossed, but compounding of some sort is not only advisable, but an absolute necessity where John Chinaman is concerned.

CHAPTER XI

CHINESE LABOUR IN CHINA

THERE is one fundamental factor which differentiates the labourer in China from the Chinese labourer indentured abroad for mining or other work. This one factor is human nature. In China practically all labour with which the foreigner is concerned is done through a contractor. The contractor gets paid according to the work done, and he it is who suffers if a labourer fails to accomplish his proper share of work. In China a labourer cannot display much laziness, unless he cares to face the prospect of quickly having his services dispensed with. The labourer indentured overseas is, however, in quite another position. If he be lazy, his importer suffers, not himself. True, he may get punished by imprisonment, but what punishment is imprisonment to a Chinaman whose only anxiety in life has ever been to get enough daily food to live upon?

In this chapter we will consider the labourer in China, since we have already looked at his

oversea features. In one respect China is industrially very backward: women do not play their part to the same extent as they do elsewhere. In agriculture they do a great deal of work, but, apart from that, they are distinctly backward both educationally and in their sphere of operations.

A very marked contrast is thus raised in favour of Japan, where women play a bigger part in their country's industrial development than anywhere else. Over 60% of the operatives in Japan are women. In Europe the percentage is from 30 to 40%, according to local conditions. But, of course, Japan's huge export of silk has a very great bearing upon this point. Very naturally the silk industry lends itself much to the employment of women and girls, besides which their handling of it is probably more satisfactory. It is not solely in silk-weaving, however, that they make their influence felt. They take their share in agriculture, and even help to bunker ships which stop to take in coal at Nagasaki or other coast ports.

In China not only education, but also tradition has militated against a greater prominence for woman. In the peasant's cottage she has attended to her household duties. She has become the mother of innumerable children, half of whom usually died in early childhood of small-pox or of plague. She

has worked in the fields during the spring and autumn seasons. In winter she has gone forth to gather in straw, wood, or roots of kaoliang to keep the cottage warm and to cook her husband's rice. She has been useful, no doubt, according to her own primitive lights, but her sphere of activity has been limited.

In the house of a well-to-do man the girls have been utterly secluded. You never see a woman in China selling railway-tickets as you do in Japan. You never find a young lady typewriting in a merchant's office. Even in Southern China, where Anglo-Hongkong ideas have long contributed towards the spread of knowledge, you do not find women much in evidence. They are now beginning to have their minds gently opened by western learning, and burst open by the daily press, but these early beginnings have not yet had time to show the Chinese woman's industrial potentiality, although a very great change is certain to become apparent before many years are over. Those bright days have yet to come. When they do, it will be time to review the new conditions which a female factor will introduce.

From the foregoing remarks it will be apparent that we only have to deal with the Chinese labouring man—not with the Chinese labouring woman. Now the cost of

labour has risen very considerably in China during the last ten years. There are many causes to account for this—revolutions, taxes, the dawn of "wants," and so on—but we must familiarize ourselves with the distinction between "kung" ch'ien and "fan" ch'ien if we would properly appreciate labour conditions as they now stand in China.

The Chinese contractor makes his contract with the foreigner to get a certain piece of work done. It may be to mine coal, or it may be to build a railway-track. It matters not. The procedure is precisely the same in either case. The Chinese contractor deposits a certain sum of money as security, and he undertakes to perform the work that is required of him. He finds his labourers, and agrees to give them so much "kung" ch'ien and so much "fan" ch'ien. The "kung" ch'ien is labour-money; the "fan" ch'ien is food-money. He will probably get his workmen from neighbouring villages, but if they have no houses or huts to live in they will look to him to supply these necessities too. If the contractor fails to perform his contract, either according to time or the specification given to him, he loses a part or whole of the money security he has already deposited at the bank.

At Tongshan a portion of the coolies live in their own houses near by the mines, whilst

others live in houses provided by the contractor. For every tub of lump coal raised to the surface the contractor gets paid $0·17 (seventeen Mexican dollar cents). For every tub of slack he gets $0·09 (nine Mexican dollar cents). On his part he pays his workmen six Mexican dollars per month, or more if they be skilled. Some good coal-cutters get from ten to fourteen dollars per month. They work on an eight-hour shift, but many of them will gladly work a double shift of fully sixteen hours in order to secure double pay.

This is the result of the Chinese curious custom of making one member of a family its drudge. Very likely the labourer's wife and children, his mother, his father, and his sisters are all living more or less upon the proceeds of those sixteen hours in the gloomy bowels of the earth, but so firmly has filial duty set its seal upon his life that he cheerfully goes forth unto his labour, until such time as his bones shall fill just one more grave like the other thousands he sees from his cottage door.

The Chinese peasant lives his life with death in the shape of graveyards staring him in the face. We may well wonder how any man can enjoy his existence under such morbid conditions, even if the smell of his ancestors does not offend his nose as much as it offends

ours. But it is no exaggeration to compare a Chinese village to a straggling raft floating to eternity on a sea of graves. As you turn to the right—graves! As you turn to the left, there are graves again! You gaze behind you—more graves! And look, there are graves if you follow the line of your nose.

Before a mine is well established in any locality there is bound to be a shortage of labour during seed-time and harvest, for China has always been an agricultural land, whereas mining was suspected of disturbing the spirits of the earth. After some years of working, however, the neighbouring villagers become miners in contradistinction to farmers, and the labour-flow remains more constant.

This question of the spirits being disturbed has been the cause of many set-backs to mining development; but, as a rule, it will be found that a Chinaman is quite open to reason, if reason be a synonym for cash, and if a grave's removal should be of sufficient importance to the foreigner to unbutton his pocket. The Chinaman's good, sound business sense weighs the gold immediately available against his great-grandfather's possible displeasure some thirty-five years hence, and gold in the hand usually outweighs two displeasures in the bush.

Like everything else in China, from the purchase of a secret to the theft of your

neighbour's cook, a grave's removal is simply a question of money. John Chinaman is nothing if he is not acquisitive; but what manner of men are we to throw stones at him on that account? Wages for labour have gone up steadily all over the country during the last ten years. They vary as much with the season of the year as they vary according to locality. But their upward trend is none the less marked. A few extracts from old account-books will serve to show this clearly.

Here is an interesting relic of a contractor's bill for work done in the year 1902 in the neighbourhood of Tientsin. To understand it we must know that 1 tiao usually equals about 16 Mexican dollar cents, 1 chang is a length of 10 ft., and that 1 fang may be either 100 square ft. or 100 cubic ft., according to the measure used. We do not know whether Chinese feet or English feet were meant in this case, for it is usual to specify that the foot shall be counted either as 10 in. or as 12 in. in length.

(*a*) Cost of labour in excavating a drain 0·5 chang in width, 0·25 wide at bottom, 0·25 chang in depth, and 83 chang in length @ 9·37 fang of earth per chang. Total, 77·8 fang @ 0·10 tiao per fang = 7·78 tiao, or about one and a quarter Mexican dollars altogether. That surely must be considered cheap.

(*b*) Cost of 86 labourers for whitewashing wall @ 0·30 tiao each—that is to say, something under 5 Mexican dollar cents each per diem. Of course, this would only be "kung" ch'ien or labour-money. As already explained, the contractor would have found food for these workmen.

(*c*) Cost of festival presents to the Ninghohsien Magistrate 13·76 tiao, or about 2 Mexican dollars and twenty cents.

(*d*) Cost of presents for the officers of the police force 4·80 tiao, or about seventy-six Mexican dollar cents.

(*e*) Cost of 46 labourers @ 0·40 tiao each for repairing various small bridges—that is to say, each man got about 6·4 Mexican dollar cents per diem for his labour. Nowadays he would get at least 20 cents, so it will be easily seen what a marked rise has taken place in Chinese labour-market prices since then.

At the same time, the coolie's cost of living has risen in proportion as his wages have risen. This rise is particularly noticeable in the neighbourhood of cities where foreigners congregate, but it does not end there. Fourteen or fifteen years ago one Mexican dollar would have purchased 1,000 eggs in the Tientsin market. Now they cost nearly one cent apiece. Of course, food is still relatively

much cheaper in China than it is in Europe. In what European city could you purchase a dozen eggs for twopence half-penny, a goose for two shillings, and a fowl for ninepence ?

We will not exhaustively probe into the metaphysics of China's cost of living, but we may lightly glance at one or two points. John Chinaman's contact with men of the West has had something to do with the general rise. Remember, even the coolie was sent abroad to work in that city of gold—Johannesburg. Education, revolution, and the cigarette-selling companies have contributed either towards making him acquire " wants," or towards creating a scarcity of food in disturbed districts.

A scarcity of food means a rise in the price of food. The acquirement of " wants " necessitates the acquirement of riches to supply those wants. When a man has " wants," as well as the means to pay for them, he is taxable. For years that was the problem which faced the Indian Government. The Indian peasant, until he took to drinking tea and using furniture, had no " wants," so it was impossible to tax him. John Chinaman has begun to smoke cigarettes, if he is dropping opium. It is too early yet to see whether the opium habit is being entirely suppressed. From a purely labour standpoint let us hope it is. A man who has taken to the opium

habit is never such a physically fit animal as the man who has not. And from an employer's point of view the physically fit animal is the labourer required for the economic ideal.

It is impossible to agree with Sir George Birdwood in his pro-opium attitude. Nobody will deny that opium can be a most stupendous blessing. At the same time, any resident in China must frequently have seen it to be a most stupendous curse. What Sir George loses sight of is the status of the Chinese coolie as a man or an animal. It is exactly the same thing to him as drink is to a European who may be low in the social scale. In moderation, excellent, both. In excess, damnable, both. But it is precisely the ill-educated, low-born man who goes to excess in the use of such things. It results from his having few pleasures, and from his coming more and more under the power of something which gives him pleasure. Both drink and opium may be good servants, but they are equally hard masters. Education drives out general drunkenness, because most men see the folly of it before they become slaves to the habit. It would have been the same in China with regard to opium, but it would have taken many and many a year to raise the people to a necessary height of view.

In a word, Sir George Birdwood evidently imagines China to be peopled by 500,000,000

souls exactly like himself. In that case, of course, there would be no need to abolish the use of opium, because it would always be used beneficially ; it would never be used to excess. But as China is not peopled by 500,000,000 Birdwoods, perhaps we may be allowed to disagree with every word he utters upon the Chinese opium question. Opium certainly undermined the efficiency of 20% of the labourers the present writer had under his charge on the Witwatersrand Gold-fields.

There is always a remarkable cohesion between Chinese labourers, whether they be working in or out of China. Even the rickshaw coolies who drag you to the club in a foreign settlement have arranged amongst themselves the localities in which each one shall work. When you see a house going up, or a steamer being unloaded, you know that a guild or society binds every Chinaman employed there.

This trait accounts, in some measure, for the ease with which the Chinese nation can organize a boycott. It also enables them more or less to hold their own when foreigners appear to be shaping things all their own way. On the Tientsin Bund there are many such rings. The coolies, for instance, who do all the loading at the French Bund would never think of coming along to the British Bund to undercut their neighbours. If they did so,

there would be a fight at once. At the same time, strikes such as we understand them in England never occur. Who ever heard of pressure being put upon an employer in China to take only Union men ? There is never any picketing. Harvest or seed-time may interfere with a budding industry such as a mine which is started in an agricultural district, but once a man really takes to mining he remains a miner. In the same way, a Chinese mason remains a mason, a carpenter remains a carpenter.

A flow of labour in any part of the world takes time to flow regularly, but in China it takes relatively longer to create owing to the above-mentioned causes. It does not actually take longer to create, because China is the only country in the world where a superabundant labour-supply still exists. As China's industries open up, this superabundance will diminish.

The Chinese labourer is a remarkably cheery person. You see him working, working, working, hammering or handling enormous bales of merchandise from early morning till late at night, but always with a broad smile upon his yellow, shiny face. His endurance is simply wonderful. He will do the physical work of half a dozen white men, and he will suffer hardships from his cradle to his grave that would kill a European in five minutes. His

stock of conversation is not large: he can only talk about his coppers or his food, but he is far from being unintelligent, and when initiated into the mysteries of machinery or mining work—even that of a technical nature—he will pick it up with a quickness which is little short of marvellous. It is marvellous when you remember that this man is an agriculturist by birth, by habit and by profession. He is a country yokel—nothing more. Yet, if you choose to take him in hand you can transform him into a trained chauffeur within the space of six weeks or two months at the outside.

If it were not for John Chinaman's inherent venal weaknesses, he would economically sweep the European off the map. But these weaknesses undermine the individual as much as they undermine the State. The corrupt man makes corrupt officialdom, and corrupt officialdom means empty coffers. A mining company which is established in China under foreign control may meet with opposition from villagers as well as from officials when it becomes a question of taking up land adjoining its property to extend its operations to a big scale. It means disturbing the local farmers and depriving the less prosperous ones of their means of subsistence, which they naturally resent. For this purpose, it may be found advisable to arrange for the acquire-

ment of new land through indirect means. A Chinese land investment company will be found a good method.

Such a company will be in a position to buy up land without suspicion being aroused. It will be able to acquire ground at a comparatively cheap rate, for it will only have to pay the rate ruling at the moment. If a flourishing mining company were to come forward as a buyer, the Chinese occupier would put a stiff price upon his consent to sell. Furthermore, according to Chinese law foreigners are not permitted to buy land in China in their own names, so that indirect means of securing mining opportunities must be found somehow. From this land investment company land can be rented for as long or as short a time as may be considered necessary, but of course a fixed agreement will have to be drawn up as a basis for making a suitable working arrangement.

The Chinese are often very clever in their "dabblings" in land. When the Shanghai–Nanking Railway was being built, great difficulty was experienced over the acquirement of land between Soochow and Wusieh. As it was a Chinese Government railway, though being built with foreign capital, the official Sheng, who was entrusted with Chinese interests in looking after it, should have made every endeavour to get it built as quickly and as

cheaply as possible. But the Sheng family suffered from no ridiculous delusions of this sort. Its members knew what a time-serving thing a government is. Accordingly, a land company was formed with Sheng's son at the head of it, and whenever the railway-track had been surveyed and decided upon, the land was promptly bought up and offered to the railway at a greatly enhanced price.

The Shanghai correspondent of "The Times," who was responsible for the above story, also told how so-called benevolent societies made quite a good profit out of bones from unknown graves along the path of the same railway, demanding compensation for all the graves which were being disturbed.

At present there are no organized land banks in China to help the agriculturist. Down in the south, merchants and farmers help themselves by friendly co-operative loan societies. Their system is very similar to that prevailing in India, whereby a number of men subscribe so much money and get the use of the accumulated sum in succession one after the other. For example, A, B, C, and D will subscribe $100 each into the common fund. They will draw lots for the privilege of being the first to use this money. If B uses it first, he must repay the amount borrowed at the end of a year, and somebody

else then gets the use of it, but B will have had the buying-power of four men during his year of using it, and he will not have had to pay high interest on the money borrowed. In a word, group action can be enjoyed by the individual under a loaning system of this nature, and group action agrees well with China.

CHAPTER XII

THE OTHER SIDE OF THE PICTURE

THESE are the records of Hai Wat-Ho, a wearer of the yellow girdle, and junior guardian of the Heir Apparent, written in the tenth moon of the fifty-fourth year of Kuang Hsu, the Emperor Most Illustrious of China.

When first, long years ago, our worthy Chinese traders made their virgin voyage to English shores, they were not received by the western barbarians with proper politeness. This grieved our merchant fathers exceedingly much, for they had come, not as enemies with designs upon Great Britain's integrity as a state—they had come in peaceful merchant-ships laden with tea, silk, or straw-braid, without any ulterior motives of interfering with Britain's domestic affairs or of annexing English provinces.

Without cause, the barbarians were both insular and insolent. But our merchant fathers were men of broad mind. They realized that a poor, unenlightened nation like

the British could only take its tone from its mandarin class, and they did not blame the people. Instead, they set themselves to sell their merchandise, and at last they succeeded in doing so, but only after giving lavish "squeeze" to everybody with whom they came in contact, whether they were big men, small men, or middle men. In England this horrible word "squeeze" is not called "squeeze." The barbarians say "commission." But the meaning is precisely the same, and the word, like the canker-worm, undermines this miserable nation's heart in the same way that a ripe pear is eaten up by corruption. Such a state of affairs is much to be deplored, but in time, no doubt, Chinese influence in London will help to introduce a change in this respect.

Our merchant fathers, however, were compelled to feign a satisfaction with this system of "squeeze" which they did not really feel, and they were eventually permitted to dispose of their stock of tea, silk and straw-braid, and to load up their ships with a return cargo of locomotives, electrical generating plants, weigh-bridges, steam-rollers, and other trifling articles which they managed to sell in our market towns and river-ports when they returned home. These new toys greatly pleased our Chinese people, and awakened their interest in these barbarian islands of the West.

Our merchant fathers also told wonderful tales of profit which might be made in Britain if only the country were administered on respectable Chinese lines, if the obstructing mandarinate were swept away, and if this barbarian nation could be made to keep pace with the rest of the uncivilized world.

Our Chinese mouths watered as our merchant fathers told these tales, and other trading expeditions were accordingly fitted out which resulted in constant friction with the British mandarins and in the introduction of more steel toys to China. This constant friction eventually led to war, but as friction with these mandarins has not ceased yet, I will set forth the principles on which the power of these men rests.

This is necessary so that my sons and grandsons may know how to deal with these English barbarians when we shall have entirely annexed their land. Theoretically, then, Great Britain is supposed to be ruled by the people—that is to say, it is supposed to be ruled by the mob. How absurd is this idea on the face of it! How can a mob rule any country? And even if it could, how could it rule such a country of savages, all entirely ignorant of right principles?

This ridiculous state of affairs permits certain astute political schemers to profit. These schemers arrange the whole British Constitu-

tion to suit their own particular ends, and to enable them to rule their so-called rulers, the mob. The mob, of course, is too stupid to see that it is being ruled, besides which its members are too busy taking "commission" or mixing sand with sugar to think about such things. This is most deplorable. It is very sad indeed. It will be part of China's duty to undeceive these poor deluded savages later on.

At present they are deceived in the following way: Every five years, or oftener, there is supposed to be an election, but the people always vote as they are told to vote, because they cannot very well do anything else, the schemers having arranged all that beforehand. It matters not whichever candidate gets into the Parliamentary Yamen at Westminster—the result is just the same: he owes his allegiance to the leading schemers who sit on the two front benches, but never to the people who think they rule the land.

These leading schemers keep up the deception by dividing their followers into two big camps. These they name respectively Radicals and Tories, and at stated times called "crises" they make their followers fight. But these fights, like everything else in Great Britain, are only a pretence. They are only mock-battles, and most of them are very stale to boot. One stock-piece is gener-

ally known by the name of Home Rule. Another is called Tariff Reform. Of course, neither of these absurd titles means anything to anybody, except to the schemers who sit upon the front benches in the Parliamentary Yamen at Westminster, but to them they are important, because they distract the people and make them believe they are ruling the land—poor things!

How ignorant these barbarians really must be in their miserably overgrown civilization of the West!—for instead of having the whip-hand of these schemers they are docile to their barkings as sheep to the shepherd's dog. When the schemers who sit in the Parliamentary Yamen at Westminster tell them to open their pockets, they obediently do so. When they are told to pay an income tax of twenty shillings in the pound, they do so again without demur. When the leading schemers tell them to build more useless war-junks, of course they willingly comply, because they do not see that it is the schemers themselves who profit by junk-building activity. The latter hold most of the shares in the junk-building yards, and naturally they like those shares to bring them in as much profit as possible. The British barbarians do not see through the wiles of their bad, scheming mandarins—poor things!

But the latter are as much the enemies of

China as they are of their own people. They oppose our nationals coming to England. They oppose our decivilizing intentions. They try to evade our demands, and they try to deceive enlightened men from the Orient as though they were mere creatures like their own mute underlings. The lesser schemers who sit in the Parliamentary Yamen at Westminster are kept in order by those who sit upon the two front benches by a system of rewards, or rather by a system of no rewards if they dare to say anything except what they are told to say. In the same way the public press is muzzled by a fear of losing financial support or advertisements, which mean the same thing.

As a result, a morbid fear of truth hangs like a heavy door-curtain over the mouth of every poor savage in these far-off western isles, for truth is not in them. One word of truth is never uttered in Great Britain, because it is too unsettling. China's duty plainly points to enlightening the British people, and to making Great Britain keep the same pace as the rest of the uncivilized world. This can only be accomplished by tearing up railways and by shutting down mines.

But when China first broached this idea and offered Great Britain this panacea for social unrest the mandarin schemers in the Parliamentary Yamen at Westminster showed

active hostility at once. Consular and diplomatic friction was the outcome, and both these frictions finally ended in the waging of active war.

It was really on account of the schemers that the "straw-braid" war was waged. By that war we secured the opening of treaty ports at Margate and Southsea, as all the world knows. But the issue of that conflict was never in doubt from the moment the first junk was sunk. By organization pure and simple were the British barbarians defeated.

But could it well have been otherwise? Was China not the first nation to invent gunpowder? And how could these upstart savages from the world's end expect to withstand our arms? Of course, they were utterly defeated, and had we been desirous of annexing their miserable provinces we might have done so then without the slightest difficulty. But we were magnanimous—we allowed them to preserve a semblance of nationality, though we insisted upon diplomatic representation at the Court of St. James, as well as upon exterritorial rights being enjoyed by Chinese residents in England.

This latter right was particularly necessary, because we found no law at all in England, or rather, perhaps I ought to say, we found two laws. There was one law for rich people, and another law for poor people, so there was

not even a pretence at justice in the land. Our traders and officials reported that a rich man might defraud thousands of people through a financial deal, and no punishment would he get, whereas a poor man who took a little ride on the back part of a taxi-machine-cart would be put into jail.

Even the murderer never knew whether he would get punished or not. At times he might be put to death, or he might be merely imprisoned, or even liberated altogether. It entirely depended upon the number of plausible untruths his counsel told about him. It also depended upon the judge's credulity. A strong bench of deaf judges is what this unfortunate barbarian nation certainly needs.

There is no need to follow all the details of the war which secured exterritorial rights to Chinese subjects. Suffice it to say, that a preliminary footing in England was made. Consular courts were established at Margate and Southsea, in part to maintain order amongst our own nationals, and in part to enable the poor down-trodden Britishers to see how much fairer Chinese laws were than their own. But as regards actual fighting there was practically nil. It was only necessary for us to threaten to disturb the British money market, and the enemy caved in at once.

I ought, however, to mention that the

army of these barbarians employs two distinct sorts of braves. Of the bigger variety—the so-called Regular Army—we saw little, because all of them were away guarding the leading schemers, who sit upon the front benches in the Yamen at Westminster, from stones which barbarian women are in the habit of throwing at their heads.

It was the less stalwart variety—the boy-scouts—by whom we were chiefly opposed. These boy-scouts are certainly not very formidable. They do not carry rifles. They only carry long sticks or staves with which they knock down apples to throw at their enemies. In addition to this, they carry little bows of ribbon sewn on to their shoulders to prevent them being mistaken for men. But despite their apples and their long sticks, these braves were no match for our warriors. Moreover, they had never learned to combine their military tactics with the exigencies of the junk warriors. They look upon war as purely a land affair, instead of recognizing its land and water phases.

In this respect the bigger variety, or so-called Regular Army, may be better trained. But its officers are compelled to pay themselves out of their own pockets, for by that system there is a bigger margin of public money whereby the schemers, who sit in the Parliamentary Yamen at Westminster, may fill

their own. This they contrive to do by means of the vote. They vote themselves worth four thousand Shanghai dollars a year, and as nobody in England is allowed to tell the truth, there is nobody to tell them that they are not worth ten cash. This state of affairs is much to be deplored.

But the leading schemers who sit in the Parliamentary Yamen at Westminster give themselves a bigger salary still. They pay themselves at a rate only fitted for a low comedian or the head-waiter at a London restaurant. Is it right that the most useless members of society should be paid as lavishly as the most useful? This state of affairs in Britain distresses me very greatly.

At the time of that war China was, as I have shown, magnanimous. It was hoped that one lesson would be sufficient to make these barbarians change their ways. But since then Anglo-foreign relations in Britain have been complicated by the appearance of a host of other nationals upon the scene. Our system of the "open door" was responsible for this. We practically invited all the other nations to share the commercial advantages we had secured by enterprise and by force of arms. In response to this invitation the negroes, the South Sea Islanders, the Red Indians, Laps, and one or two minor races hurried to English shores.

All of these peoples were not at first actuated by the same friendly commercial aims as ourselves. Some of them—Lapland and Liberia, for instance—were looking out for the acquisition of territory as well as trade. For a long time Liberia's swarming millions had given her cause for anxiety. She had been clamouring for a place in the sun for many years past. In Great Britain she naturally hoped to secure it, though I am told on reliable authority that the sun is never seen in that miserable island even in the height of summer. More recently, however, there has been less talk of partition and more talk of securing peaceful conditions.

But in one respect all of us foreigners have been unanimous in deciding that Great Britain must keep pace with the rest of the uncivilized world. To further this determination, we all sent over various decivilizing missionary societies to try to teach British barbarians the principles of right living.

Some of these secured a few followers, but nothing of any importance had been accomplished in national education until three years ago, when one of the Liberian decivilizing missionaries was ruthlessly murdered in Piccadilly in broad daylight by a motor-car. Such a stir did this ghastly affair make all over Africa, that Liberia was enabled to make the event an excuse for occupying Cardiff together

with a large strip of land extending over the South Wales coal areas.

Lapland annexed Newcastle; and China, rather from a wish to satisfy public opinion at home than from any real desire for British land, seized the Island of Wight, and secured, in addition, a perpetual lease over the Sandwich Golf Course for a period of nine hundred and ninety-nine years. Despite British official antipathy and popular stupidity, it was evident that Great Britain hung down her head in shame before the whole world.

That was the moment to secure advantages, and Liberia attempted to do so. She proposed concentrating her energies upon the province of Cardiff, and she anticipated no obstruction from the local mining gentry when she applied for a concession to shut down the mines. This, of course, as the British mandarins well knew, was a matter of vital necessity. They knew that their country could never become regenerated until industrial activity was checked. All their disturbances, all their unrest, were directly attributable to mines and railways. Until railways should be torn up and mines shut down no progress could be anticipated. The output of gold-mines had lowered the buying-power of money. In its turn the lower buying-power of money had raised the cost of living. Luxuries had become necessities, and a feverish

idolization of gold had been the result. This feverish industrialism had disquieted the rest of the uncivilized world, and the uncivilized world was in no mood to permit any one nation to set such a dangerous pace.

Industrial war in Great Britain was, and still is, ceaseless. The British barbarians do not call it war; they speak of a "strike" or "lock-out," but those two words are only synonyms for the same thing—war—war—war. In front of me is a pile of letters, postcards, letter-cards, telegrams, and many other sorts of communications from various Chinese residents in Britain. In every one of these missives is the same question asked: "When are Great Britain's industrial wars going to end, in order that we may trade peacefully?" To every one of these missives have I sent the same reply: "Tear up British railways, shut down British mines, and the world will be at peace."

But to return to Liberia's application for a concession to shut down the Cardiff mines. As we have seen, the negroes anticipated no obstruction on the part of the local mining gentry, because during two or three "strikes" they had attempted to shut down the mines themselves.

But the schemers in the Parliamentary Yamen at Westminster refused at first to grant this concession, on the grounds that the

local gentry would riot. Of course, this answer was a subterfuge, a mere excuse, so resort was had to diplomatic pressure on the part of the Liberian Minister in London. This gentleman happened to be named Jack Johnson, and being something of a boxer his power over the timid British mandarins was immense.

No sooner did he call at Downing Street than they granted his request at once. In spite of this success, however, trouble was in store for Liberia, for there had been more truth in what these mandarins said than anybody had really supposed. Although the Cardiff miners had frequently tried to shut down the mines themselves, they refused point-blank when ordered by the negroes to do so.

What was Liberia to do? Things looked black. But so did the negroes. With great forbearance they ordered the miners to go and dismantle the mines below. The miners replied by ordering a general strike. Things again looked black. But, as I said before, so did the negroes. Without a moment's hesitation, they cabled for a couple of battalions of Amazons, and the strike was ended in less than ten minutes.

The tactics of the Amazons were somewhat original. They made advances in front, whilst the miners' wives made advances in rear. The miners were out-generalled. They were caught between two fires, and the position was

too hot for any man to have stood his ground. These fierce fire-eating Welsh miners blenched, and wavered, and broke, and fled.

Down the shaft they tumbled one after another in quick succession, each man crying for mercy as he tried to get away. After them rushed the Amazons with pouting lips and wide extended arms. Every miner, divining their intentions, tried to show a clean pair of heels, but not all of them could go down below. A few sought safety by climbing up the head-gear, but most of them were caught like snakes in the grass and fell into the arms of their foes.

Whilst these exciting events were taking place, the South Sea Islanders were not allowing any grass to grow under their feet. By paying lavish "commission" to the schemers in the Parliamentary Yamen at Westminster, or through some other corrupt practice, of which there is no record, these men managed to secure a magnificent contract for railroad demolition in London. This was all the more remarkable because the South Sea Island is not a very important country. Its standing army is comparatively small, and amongst the Powers in London it has ranked hitherto only in the second place.

But whilst China and the other nations have been attempting to secure political privileges, the South Sea Islanders have kept their

eyes resolutely fixed on railways; and, as a result, they have obtained permission to tear up all the Metropolitan District lines. This should be a lesson to China not to hold a bayonet to England's throat. China should not exasperate these barbarians too much by threats of disturbing the money market. Of course, the negroes, and Red Indians, the Laps, and ourselves immediately applied for equal treatment under the most favoured nation clause, but none of the concessions we managed to extort were of the magnitude of the South Sea Islanders' splendid contract.

We were permitted to tear up a few sections of the London North Western lines, but work of demolition has been delayed again and again by "strikes," so that the result is not very encouraging. The Red Indians were permitted to tear up the London Brighton Railway, and the negroes some two hundred miles of track in the flourishing Island of Man, but apart from these trifling beginnings England is still unreformed. Now comes the news that the South Sea Islanders have secured a second magnificent contract.

The terms of that contract are not yet published; nor has the matter yet been definitely approved by the Yamen at Westminster; but it is generally understood that the terms have been satisfactorily arranged and that the matter is practically settled.

The South Sea Islanders are going to be allowed to tear up every railway linking Belfast with the rest of Ireland. Think of it! Think of the magnitude of this great project! Think what a wonderful decivilizing work will accrue to our fortunate friends.

No longer will the noisy railway-truck disturb the Ulsterman's peaceful slumbers. Pigs, goats, and other Irish pedestrians will be able to roam about without fear of being suddenly crushed to death. The hideous shriek of the engine, the dirty soot from its smoke, will be known no more in this peace-loving quarter of Ireland.

Last year I thought I saw signs of real regeneration in the hearts of the British themselves. Without any warning, in the middle of the summer these barbarians began to tear up the London streets. No strike was taking place at the time, and I certainly thought that if they had become sufficiently enlightened to tear up the roads we should soon be gladdened by news of their tearing up the railroads. But my hopes were short-lived. Reaction has followed this momentary spurt of enlightenment, and all the roads have been laid down again more carefully than before.

In time, no doubt, the British will understand right principles, but at present they are woefully backward. Maybe we ought to

be thankful for small mercies, and to feel satisfied that a few lines, at any rate, are now being torn up. But it is interesting to recall the subterfuge by which the first railway in Great Britain was destroyed. It will be remembered that the schemers in the Parliamentary Yamen at Westminster were frankly obstructive, and refused to permit any contracts of any sort for railway destruction until two or three years ago.

Accordingly, the enterprising Chinese firm of Bo Tai conceived the brilliant idea of laying down a model track, and then applying for a concession to tear it up again. By that means they hoped to educate the people up to railway destruction. With this objective in view they laid a few miles of track across the Sandwich Golf Course.

They did not anticipate any obstruction from the local inhabitants, because many of them were retired colonels and other unwarlike creatures, but strangely enough a hullabaloo was raised at once. Bo Tai and Company could not fail to understand what the reason for this simulated anger was. The local gentry had no objection to the railway itself, of course, but they objected to the interference of foreigners in laying their line across their course.

They wired their remonstrances to London, and Big Man Grey, the barbarian Foreign

Minister, called personally upon our Chinese Ambassador about the matter. He began by declaring that Bo Tai and Company had exceeded their rights in laying down any railway at all. But that, of course, was mere bluff. It was a miserable subterfuge; for had we not secured a perpetual lease over the Sandwich Golf Course for a period of nine hundred and ninety-nine years?

Our Ambassador pointed this out, and Big Man Grey changed his tone at once. He begged our Ambassador to exert all his influence to make Bo Tai and Company tear up their railway.

"But," said His Excellency, "that is precisely what these gentlemen wish you to give them a concession to do."

Big Man Grey turned pale when he heard these words. "Do you not understand," he urged, "that if I give your countrymen permission to tear up this railway it will be setting a precedent, and I shall 'lose face' with my fellow-officials in the Government?"

"Very well," said our Ambassador, "then I shall not make Bo Tai and Company remove their line."

Again Big Man Grey turned pale. He even shivered like an aspirin lozenge. "Your countrymen must remove their railway," he said, "or there may be a riot. In that case, the local gentry might tear up the line them-

selves, and once they get into the habit of doing that sort of thing England will become entirely reformed."

Our Ambassador smiled a cold, hard smile. There was a moment's pause before he made reply. "That," said he, "is precisely the habit we want them to acquire. Now you may either issue to Bo Tai and Company the contract they need to tear up this railway, or you may let your local barbarians tear up the line themselves. To China it does not matter which you like to do."

Big Man Grey was completely mastered. Of course, he issued the contract in the end, and that document has been a valuable precedent for securing other railway destruction contracts of greater importance since then. Nowadays these contracts are somewhat easier to obtain, but the schemers in the Parliamentary Yamen at Westminster still try to "save their face" by insisting that 60% of the capital of any railway destruction company shall be nominally held in British hands.

Of course, this is a ridiculous farce. For instance, six months ago, when we secured the concession to tear up the railway between Chester and Liverpool, we found all the strings of cash, but a British bank nominally contributed 60% of them. In reality, of course, the bank received a handsome commission for the use of its name.

At the same time, it was given out that all the country covered by that railway-track was required by the company to make foot-ball grounds. By this means local suspicion was allayed, and the work of destruction was carried out with the greatest despatch. Plenty of labour was available, and reform was thus introduced without the slightest friction. The hearts of all Chinese men ought to swell with pride at the contemplation of our good work. My pen quivers with emotion as I think of it; but despite our little successes our road of reform in Britain is still far from smooth.

The barbarians themselves are so backward and upside-down in everything they do. Look at their administrative methods. Their Lord High Junk-man is not by trade a junk-man at all. He is a retired cavalry lieutenant. He recognized early in his career that only the mandarins who sit in the Yamen at Westminster possess any power in this unenlightened land.

He probably saw that the Army in which he began official life is controlled by what the Cantonese would call "funk." The lowest rank is in terror of the sergeant rank; the sergeant rank is in terror of the subaltern rank; the subaltern rank is in terror of the "shou pei," or captain rank. The captain, in his turn, is in terror of the colonel. The

colonel is in terror of the general. The general is in terror of the War Office. And the War Office is in terror of what the schemers who sit in the Parliamentary Yamen at Westminster may think of its actions.

Accordingly, it has to deceive those schemers, and this it does by a system of " eye-wash." As a natural consequence, the War Office is deceived by the general. The general is deceived by the colonel. The colonel is deceived by the captain. The captain is deceived by the subaltern. The subaltern is deceived by the sergeant. And the sergeant in his turn is deceived by the lowest rank of all. By this means it will be seen that these barbarians base their military organization on a chain of " funk " one way and on a chain of " eye-wash " the other.

Are not these things sad to contemplate ? Are they not truly deplorable ? But with a similar charming inconsequence the British barbarians entrusted the finances of their country to a man who is not a financier at all. By trade he is a lawyer. That is probably the only reason why he ever went into the Parliamentary Yamen. If he had been a financier, he would probably have been given the portfolio of foreign affairs. He would never have been given finance. But most of the mandarins who sit in the Parliamentary Yamen at West-

minster are men of law. They cannot help it, poor fellows! They are partly the authors and partly the victims of the system under which they live. At any rate, they must live and they must acquire strings of cash whether the output of British gold-mines has lowered the buying-power of cash or not. Accordingly, they rush into the Yamen at Westminster and make hurried laws which require correction afterwards.

Nobody, of course, can correct Gilbertian laws except the lawyers themselves, so they obtain employment, as well as strings of cash, by completing the work outside the Yamen which the poor deluded people think they are doing inside. Again, I repeat, is this not a deplorable state of affairs?

The same cause, mines, also turns the barbarian doctor into a deceiver. He, like his brother the lawyer, must live somehow. He must earn strings of cash, poor fellow! When, therefore, a perfectly healthy patient says he is ill, he has not the courage to tell him he is perfectly well.

Instead he looks at the man's tongue in a perfunctory sort of way, but he looks much more carefully at the size of the patient's house. He notes that he keeps a motor-car, two men-servants, and several hunters. The doctor cannot help himself. He is bound to prescribe for such a wealthy patient. He

accordingly gives him some nauseating mixture which makes him more or less sick, and thereby a valuable case is secured. If they only had our Chinese system of paying by results, how much better it would be for these unenlightened Britishers!

When, however, a poor man goes to the doctor, he is given a little coloured water and is told to go away. That is because the poor man is of no use to the doctor. And yet there is much more likelihood of the poor man needing medical attention than in the rich man's case, because poor feeding and squalid surroundings breed disease. In a hundred other ways these British barbarians are utterly upside-down. They do not even have an emperor in the proper sense of the word.

Their religion is quite wooden. They have no ancestral altars. Every seventh day they go to church, where usually a schoolboy gets up into the pulpit and tells them of their sins. They do not listen, of course, because they go to sleep, but their sins are really only two in number. They probably are too dull to have any more than that. They mix sand with sugar or take commission upon everything they can lay their hands on, but the boy in the pulpit never, never mentions those sins. Instead he admonishes them on the seventh day about sins they never could possibly commit, so, of course, they go to sleep. In all

these ways the British barbarians are to be pitied rather than blamed, but the topmost pinnacle of their folly is reached by their treatment of millionaires.

Any level-headed person must surely know that the word millionaire is nothing but a sanscrit expression for robber. Suppose, however, that our education had been so woefully neglected as to leave us ignorant of that fact, we should still have sufficient natural intelligence to see that a man could not possibly be a millionaire unless he were a robber. In China this simple truth is plainly recognized just as it ought to have been recognized in Britain. But the British are strange barbarians, and their ways are quite unintelligible to me.

Instead of instantly clapping their millionaires into jail, and squeezing some of the plunder out of them, as the Chinese, of course, would do, these foolish islanders bow down before these criminals and worship them, and give them more plunder by taking shares in their mines or companies or " wild-cat " syndicates. In China we have our faults and our little weaknesses, but nowhere else under heaven can such a blundering corrupt system as this British one exist. It is worthy of being put into Chinese comic opera. It would be screamingly funny if it were not so serious and sad. If the amplification of cases of British weak-

nesses did not become wearisome, I could mention many more. To cut them short, however, I will instance only two others. The first of these is marriage, and the second is the British stage.

Now marriage, as all the world knows, is nothing but a miserable attempt to bridle nature. At best it is only just bearable to mortal man, but if due care be not exercised in the choice of a wife that man's life must become an absolute hell. The Chinese, recognizing these risks, have observed that a man who is in love is blinded to the girl's imperfections, and is therefore incapable of making a sensible choice for himself. They know perfectly well that if he is allowed to choose his own bride, mortal man is bound to blunder and ruin not only the prospects of his own life, but also the girl's happiness as well. Accordingly, in China marriages are arranged by a middleman, who makes everything smooth between two families of suitable standing, and great happiness is the result.

But what do we find when we turn to these miserably degraded islands of the West? The English barbarian is allowed to choose his own wife. Think of it! Think of the absurdity of such a thing! He does so, of course, and misfortune almost always results therefrom. Like a kettle of water, his warm blood bubbles up before marriage and cools

down afterwards, instead of warming up to boiling-pitch after the contract is signed. The result, of course, is that the English barbarian hurries out of his house very early in the morning and stays in his office all day.

When evening comes, there are only two alternatives open to him—to go home to his scolding wife or to go to a musical play. If he chooses the latter of these two evils, he will see no play at all. He will only see legs and listen to laughter, because the musical-comedy world is controlled by a very close ring who try to write lyrics from written-out brains, and get paid for doing so because they are under contract. Into that ring scholarly playwrights are never allowed to enter. The actor-managers can rely upon the British marriage system to drive men to the theatre instead of trying to attract the public by plot and music combined. Furthermore, it is the fashion for these barbarian actor-managers to get their so-called plays from Vienna, because that unknown village once upon a time produced a good play. The result, of course, is that British musical comedy scribes have to get their work translated into a foreign dialect and then brought back to their native shores as though it were foreign work. By this system of pretence these childlike Britishers try to delude themselves.

But so strong is British antipathy to

British musical comedy that if some such deception as the above were not practised the streets of London would become choked with bodies of English scribes who had died of sheer starvation. As things are, about 99% of the deaths amongst British scribes are due to the poor fellows committing suicide because their plays are never even read. It is difficult for China ever to hope to enlighten such a degraded race of savages.

Lately, however, we have insisted upon the appointment of advisers to supervise the British Government departments. Very naturally the mandarins who sit in the Parliamentary Yamen at Westminster do not like this, and at first they strongly resisted; but the negroes and Laplanders, the Red Indians, the South Sea Islanders and ourselves threatened to disturb the British money market if they failed to let our nationals appear upon their Government pay-rolls.

The Lord High Junk-man was particularly averse to receiving any Chinese advice. He wished our nominee, Chow-Chow, to draw a big salary and do nothing. But that could not be permitted for one instant, and Chow-Chow was ultimately appointed to teach him right principles.

In the same way, the Laplanders have put in an adviser to supervise the Lawyer-Financier. The latter is, perhaps, the most enlightened

of all the British mandarinate. If he were not afraid of losing his face with his colleagues, I believe he would do his best to destroy British industrialism himself. I have great hopes of him. Not only is he a reformer in the best sense of the word, but he also enjoys a commanding position at the head of Britain's financial board, from which he may wield his destructive powers.

CHAPTER XIII

CONCLUSION

As we stretch our gaze across four thousand years to China's distant political horizon, we see one huge extending field furrowed and refurrowed by countless revolutions. This is not altogether surprising when the vast extent of China's territory is taken into account. Distant frontiers are always certain to contain disturbed areas, and when the lack of a standing army prevents a weak government from nipping sedition in the bud, revolutions soon spread.

Thinking people have come to the conclusion that the only ideal form of government for any country is that of a benevolent despot. But for an Oriental country despotism is more essential still, particularly when that country is a huge backward confederation of provinces unconnected by railway-lines.

The railway and the telegraph are the only two forces which can make China become smaller and easier to handle. For that reason, it seems well nigh impossible for a republican

government to rule China for any long period of time.

The railway is just as much the enemy of revolutions as education is the enemy of despotic kings, and a good republican form of government is only possible where education has spread so thoroughly through the masses that the man in the street is as capable of taking the President's chair as the President is capable of becoming a private citizen. If this high state of enlightenment has not been reached, a republic is always bound to be torn by revolutions. As we watch the pendulum swing from the extreme of autocratic to the extreme of democratic rule, we observe the effect of education.

At first we see tribes warring amongst themselves. The man with the strong spear and stout buckler makes himself king. He retains his position of authority for so long a time as his followers are numerous and his weapons keen. For many generations his descendants are compelled to rely solely upon their fighting strength to retain the crown; but in course of time they begin to enjoy a prestige which invests them with a veneration from the mob which no new upstart can inspire, and which is only possible in the early stage of a country before education obtains a good foothold.

As education spreads a network of railways

and commercial interests over the land, Jack becomes as good as his master. Then the king is either swept away or he is permitted to remain as an honourable figure-head, but only by reason of popular complacency.

Nowadays the force of arms or the force of popular complacency are the only two forces which can protect a throne from educational gunpowder as peoples become churned up from small warring tribes into big industrial nations. As we look round the world, we observe republics in America, France, Mexico, and various South American States. We observe monarchies, or so-called monarchies, in England, Germany, and Russia.

But of these countries Russia is moving rapidly towards revolution. The throne is only supported by constantly strengthening the powers of the secret police, and by spending nine times as much money upon repressive machinery as is expended upon popular education.

Germany clothes its constitutional monarchy in the domino of a benevolent despotism, but its Emperor dares not go too far, or he would be given short shrift. Great Britain happens to have retained a king because the power of prestige and the power of popular complacency have willed it so, but Great Britain's Government would run along almost as smoothly if it chose to call itself a republic.

America might just as easily have been ruled by a limited monarchy on the British lines, and it would have been ruled in this way if some members of the English Royal Family had only crossed over in the *Mayflower*. The force of prestige would have settled that point, we may be sure. In the same way, if every member of the British Royal Family were to die off to-morrow, is it conceivable that Mr. Redmond or Mr. Lloyd George could be proclaimed king? The idea is unthinkable, because every man in the street feels himself quite as well educated and quite as capable of ruling the land as these two gentlemen would be.

France is a republic, because two dynasties would claim the throne, and the French are too highly educated to have any faith in either of them. As regards Mexico and the South American States, we see exactly the revolutions which any sensible man is bound to foresee.

Now anybody who has studied the psychology of crowds knows that a crowd is always comparatively stupid, because its opinion is that of its most numerous members. It can also be ruled only in three ways—by force, by deception, or by satisfying its greedy passions. Every politician has recognized this fact since the world began, and when force was impracticable most of them have at-

tempted to remain in power by frankly deceiving the people. This was easy enough until education began to spread, but now that Jack has become as good as his master it is no longer so easy to deceive the people.

Accordingly, politicians in England and America have been compelled to resort to the third method—the system of trying to satisfy the mob's greedy appetites. The result has been a fall for the politician in the opinion of decent men, and, furthermore, Parliament has ceased to be so closely in touch with the nation as it was. People busy themselves nowadays with that which affects them more nearly than political parties or schemers. They busy themselves with the making of pounds or dollars. They let the politicians scream and yell and play their tricks, but they pay no great attention until those gentlemen go too far. Then the busy dollar-makers sweep them away and give some other political party a chance to wield patronage and power.

Rule of this sort is possible in a highly-educated state like France, England, or America, because railways, industrialism and the money market make revolutions out of the question, and because individualism is steadily losing ground before the federating influences of interwoven interests. But when all the outward forms of this sort of government are

suddenly harnessed upon a semi-barbaric Oriental nation like the Chinese, great abuses of power must result.

At best a constitutional President is never in a strong position, because his whole position depends upon the vote of the mob—that is to say, his power depends upon either deceiving or appeasing the mob. If he does not do one of these things, he is forced to be unconstitutional or to lose his position. So what is the poor man to do? Yuan Shih Kai has done exactly what Cromwell would have done under similar conditions. He has followed the line of his own convictions without burdening his mind unduly with conscientious scruples. He has at times been frankly unconstitutional. To such a point did he go that the Anti-Yuan Revolution was raised against him in July 1913. This can have caused nobody surprise. It certainly did not surprise the President himself, because he had already begun putting military officers in charge of certain unfriendly southern provinces before that rebellion broke out at all.

In any case, trouble of some sort was almost bound to come, because only a very strong hand could evolve order out of the chaotic China we now behold, and the southern revolutionaries were not the kind of men who wished to be ruled with a strong hand. They and their forefathers had been scheming for

two hundred years against the Manchu throne. They had formed secret societies. They had acquired the habit of plotting against authority; and when at last a lucky shot fired by students in Japan finally blew the Ching Dynasty to atoms, they could not all be treated as lavishly as they thought was their due. Accordingly, those of them whose appetites could not be appeased went back to their old habits and began plotting again.

The world will probably never know how far Japan was mixed up in that Anti-Yuan Revolution. Tokio, of course, denied that the Japanese had any hand in it at all, but this much we know: Japan has no great interest in seeing a strong China at her doors. She would much rather see Chinese waters troubled, in order that she may consolidate her position in Manchuria, and do a little independent fishing in revolutionary waves. For this reason there was a likelihood of Japanese sympathies being much more anti- than pro-Yuan. At the same time, most of the Chinese students who had gone to Japan were men from the central or southern provinces.

When hostilities broke out, the Japanese Press with one acclaim reflected their national sentiment in espousing the southern cause, and only when the Chinese Government's soldiers proved conclusively which side was

going to win did the Japanese change their tone. But the northerners had meanwhile become aware of Japan's feeling against them. They also had reason to believe that some of her sons were helping their southern foes. Accordingly, in their turn, they became very bitter against the Mikado's subjects, and had no scruples about killing three of their number, when the sacking of Nanking City gave them the opportunity. If the British Government had not been so discouraging, Japan would probably have gone to war over this incident, or, at any rate, would have seized a second Kiaochow, as Germany had done before. But Great Britain gave Tokio clearly to understand that war with China could not be viewed with equanimity.

Accordingly, Japan contented herself with a demand for a public apology and for General Chang Hsun's dismissal from the Tutuhship of Kiangsu. This request placed the Chinese Government on the horns of a big dilemma. If Chang Hsun were summarily dismissed from his Governorship, he might turn revolutionary, seeing that his appointment to that post had been the price of his original loyalty. Japan, therefore, had to be approached and the matter smoothed over as well as could be arranged.

One or two critics have decided that the Anti-Yuan War was not carried on between

northern and southern Chinese. In some respects, they are correct in their contention, but it cannot be denied that no real cohesion exists between the Chinese of north and south. They are as unlike in their ideals as they are unlike in their languages. The men from the south are, generally speaking, the more enlightened, because they have had a longer intercourse with Anglo-Chinese ideas from Hongkong and the treaty ports.

Under the Republican regime these southerners have, therefore, made a bigger showing, but the north has no more desire to be ruled by southern provincials than the latter desire to be ruled by Yuan Shih Kai. As a consequence, ceaseless friction has been apparent between certain sections of the Parliamentary delegates and the President, and a dreadful system of sudden arrest and execution has been practised throughout the land. Prominent men have been invited to dine with unknown enemies, who have whipped them off to eternity without any semblance of a trial. This appallingly wicked state of affairs recalls the blackest days of the Netherlands under Spanish Burgundian rule. No prominent Chinese can feel safe for a minute when his enemy gets into power.

Perhaps the most glaring case of all has been that of Chan King Wah, the Chief of Police at Canton. He and his brother were

invited to dine with the Governor in the Official Yamen of that city. Upon arrival Chan King Wah found that he had been privileged to dine at the Governor's private table upstairs, whilst his brother was to dine with the less important guests in the room below.

In the middle of dinner certain military officers entered and surrounded Chan King Wah. The Governor requested him to allow himself to be relieved of a pistol he carried, and after he had complied politely produced a telegram from Peking ordering his immediate execution for supposed revolutionary leanings. The man turned pale, but showed no other signs of fear. He asked, however, for a glass of brandy, which His Excellency himself handed to him, and then a shot rang out. Without trial, without any semblance of a trial, this excellent police officer, who was well known for his high qualities to many of the British officials in Hongkong, was sent to his last long sleep. That shot was the signal for the brother's murder in the room downstairs. On that crime the Chinese Government stands arraigned.

Not only has this double murder added to the number of similar trial-less executions which have disgraced the records of Young China, but it gives the outside world just one more proof that China has changed very little since she tried to murder the foreign Ambassadors

in the summer of 1900. And yet China has changed greatly in the last few years, although her heart may be as callous of the value of human life as of yore. But that is only to be expected if we think the matter out.

No human being is good or virtuous from any other cause except fear of punishment. The punishment may take the lighter form of public disapprobation, but it remains punishment just the same. We are, most of us, respectable citizens for no other reason except that we have a sufficiency of this world's goods to live on, and because the policeman at the street corner reminds us not to steal the silver tea-spoons from the man who lives next door.

This has been illustrated by a lunatic breaking a jeweller's shop-window and throwing trinkets of value to the crowd. There was no reason to suppose that the crowd was a particularly criminal one, or that it was particularly acquisitive, and yet very few of those trinkets, so gratuitously given, were returned to the rightful owner.

We may take it, therefore, that virtue in ourselves is due to a sufficiency of this world's goods, as well as to the flat-footed policeman who stands at the street corner. In course of time, other minor steadying influences grow up and tend to keep us in the right way. We know our fathers were honourable men, and we try to live up to the standard which the

policemen of their day forced upon them too.

Accordingly, in time crime becomes scarcer in places like London, where good policemen are to be found, and murders become so rare as to give us a shock when one is heard of. If Mr. Lloyd George were able to chop off our heads as easily as he can lop off our incomes, we should experience no shock at hearing of a life gone, and we should become as callous of the value of human life as the Chinese are to-day. China, in many respects, seems to be in the state England was in between the years 1640 and 1660. We see monopolies being farmed out by the Government to various persons. We see an Oriental Cromwell acting independently of a factious student's "rump."

The Chinese nation has borrowed its polity from the twentieth century; it has borrowed its politicians from the dark Middle Ages. Its manners are those of the drawing-room; its men are boys from the schoolroom. There is no need for us to despair. China is evolving a bright industrial future out of a dull revolutionary present. But we are apt to regard the sinister aspect of the sack of Nanking and such-like blunders a little too seriously perhaps. We are apt to weigh Oriental shortcomings in the balance of western standards. We know that those who

would throw down their arms were offered their lives by Chang Hsun and his brave Government soldiers. We also know that those men's lives were instantly taken as soon as their arms were thrown down.

But that was not all, for every Chinese woman in the city—old or young, rich or poor, beautiful or plain—was ravished by those brave Government soldiers who came so quietly in. The city was not taken by fierce assault, or their conduct might have been condoned.

We are naturally disgusted by such a disgraceful picture, but we forget the massacre of Glencoe and the storming of Spanish towns. There is, therefore, no need for us to despair. China will become civilized in time, but that time has not yet arrived. In the early portion of this chapter we have looked at the Chinese republican form of government from the purely educational point of view. But objections to it might also be urged on other grounds besides.

A republic is suitable for a united nation which is very well educated and consequently democratic. But is it suited to Asia? And can it be suitable to a nation composed of two main nations—northerners and southerners—as well as four subsidiary nations—Mongols, Thibetans, Mahometans, and Manchus? From an Asiatic point of view, would a republican

form of government suit any other eastern race? Would it suit Japan, or India, or Persia?

It certainly would not suit Japan, although Japan is the most westernly of eastern nations. The Japanese are too military and too aristocratic in their national ideals. They have the aristocratic inequalities of their mountains, not the democratic equality of the plains. Their statesmen are, so to speak, on their best behaviour before their Emperor, and their Government is distinctly a paternal one. They prevent their humble folk from betting at race-meetings, not by passing anti-betting laws, but by abolishing race-courses altogether. They also interfere with private enterprise by limiting the number of cinema companies which are permitted to attract the public. The Chinese are certainly more democratic in many of their ways. They have no military or aristocratic inequalities, but their Government also is a paternal one.

A republic, again, would not be suitable for India or Persia, because of caste inequalities and because of racial diversities. Moreover, India is one of the most aristocratic countries in the world. Furthermore, Oriental cunning and corruption obtain a much bigger field for operation where a people rules itself.

Oriental nations are, in most cases, frankly dishonest in official life; or it may be that

they are more honest about their dishonesty than we are in western lands. It is for this reason that a republican form of government will prove very expensive to China. Nothing short of half a century's strict diet of honest officialdom and good administration can eradicate China's present official weaknesses. That education can only come about in one way—by joint Chino-foreign control made possible by bankruptcy. At present China's finances are in so shaky a condition that bankruptcy is bound to come.

The country is arriving at the second stage of development which overtakes every big concern in China—bankruptcy followed by foreign control. Just as this stage was entered and passed by the Chinese Engineering and Mining Company, so it is being entered and will be passed by China as a whole. Upon the form that foreign control is going to take the measure of China's rosy future greatly depends. That a rosy future of some sort is in store for the country we need not doubt, but its degree cannot be estimated with any accuracy at present.

Probably the control above-mentioned will be an extension of the departmental supervision, which has been forced upon Chinese officials by foreign Powers and the necessity for money. But the failure of the Group financiers to trammel these mandarins into a

thrifty policy by loan conditions considered profitable to the West as well as salutary for China, has already become perfectly obvious. China refused to be coerced, and preferred to face bankruptcy instead. While the five Powers squabbled and made their binding conditions, they made profitable opportunities for Belgium by preventing their own nationals from making independent loans. To Great Britain and to Germany this restriction mattered most, because France is known to be participating in the Belgian success, whilst Russia is suspected of being interested therein to some extent or other.

In the chapter on railways we saw how the Manchus refused to save their tottering throne by hypothecating the Peking–Kalgan Railway. They refused to be bought over as resolutely as they refused to be terrorized. They preferred to fall. And they fell. Aye! and what a picture must have presented itself to the spectres of those barbaric Manchu princes if they chanced to look back over their shoulders as they sped through obscurity to oblivion! Within two months of their abdication, within two months of their proud dynasty's fall, their conquerors, the immaculate Republicans, who were so full of patriotism and integrity, had bartered away China's sacred trust and had broken asunder traditions for which corrupt princes had courted martyrdom and

ruin. But that was not all. Within two years of their abdication, within two years of their proud dynasty's fall, these same immaculate Republicans have handed over to the Belgians —a nation suspected, rightly or wrongly, of being in sympathy with Russian interests— those very same railways which Russia had striven so earnestly but so vainly to obtain. The picture is not a pleasant one. It calls for some united action upon the part of England, Germany and America.

We will now consider a scheme which would be beneficial to China's industrial future, and which would be possible if England, Germany and America chose to draw somewhat closer together. We have seen that China is rushing towards bankruptcy and foreign control. That foreign control will probably take the form of an extension of the present haphazard appointment of advisers to Chinese administrative departments, and the strengthening of various nations' interests in provinces like Shantung, Mongolia, and Manchuria. The Chinese have always been a subject race, and they are quite incapable of spontaneously eradicating their own corrupt weaknesses. They really require a joint Chino-foreign government to rule the land, if they are to enjoy the full benefit of a splendid industrial future.

This result can only be properly obtained by the three great trading Powers—Germany,

Britain and America—withstanding the undermining influences of the disintegrating Powers, Russia and France, which achieve results through a smaller commercial people. The time has gone by when individualism can pay. Instead we see a general grouping of interests amongst people as amongst nations. Individual action is being beaten by group action all the world over.

If Germany, America and Great Britain were to come together, they would form the hegemony of the Chinese world. They could insist upon united action between the Powers, both as regards the appointment of a ruling council and upon the appointment of good foreign officials, irrespective of nationality. They could furnish development loans at less usurious rates than independent financiers can do under the present competitive system, and they would prevent China becoming the commercial and diplomatic cock-pit of the world. A great opportunity lies before these three nations if they only possess men of big enough minds to take definite action.

Probably America is in the best position for making such a beginning, but the Monroe doctrine stands in the way. From a British standpoint it is difficult to see why the United States should desire to keep Germany from colonizing Brazil. The German race is a clean, industrious one, which would greatly

improve the present half-Spanish Brazilian stock. The Americans themselves can have no thought of colonizing such a "melting-pot" colony, and Brazil is too far from the Panama Canal to threaten American interests in that direction.

At present America's attitude seems to be one of non-interference with China, but surely that policy is a little near-sighted when China is herself inviting interference through bankruptcy? True friendship for China's interests can no longer be shown by standing aloof. The only way is to insist upon united action amongst the big commercial and administrative nations in securing a strong and uncorrupt form of government at Peking. This form of government ought, as a temporary measure, to be on the lines of the India Council—half a Chinese and half a foreign affair. In exactly the same way that a bankrupt estate is administered, the Chinese Empire ought to be taken in hand. After about fifty years of uncorrupt officialdom and consequent prosperity, the Chinese nation might be sufficiently enlightened to administer her own affairs, and then there would be no objection to the trust being handed back.

But if some definite action be not taken soon, not only will Chinese prosperity become warped, but there is danger of constant friction arising amongst the predatory foreign

peoples who go to live or trade in the wonderful land of Han.

Only under some such system as the writer has sketched out can China cease to be undermined. If it is not carried out, Chino-foreign control will assume a more private, less centralized form. There will still be a rosy future in an industrial sense, but individuals and groups will profit to a greater extent than the Chinese nation as a whole.

As foreign gold pours into the country, railways and mines will be opened up. In fifty years' time men now unborn will be marking out streets and planting trees in industrial towns now also unborn. No longer will the village dogs cry for company as they hearken to numberless frogs which croak in the lonely places. No longer will the still, quiet stars look down year after year upon corpses of men who surged up in ceaseless revolt. The big square lateen sails of the junk which we see silhouetted against the sunset will have passed down the river of forgetfulness with the clumsy craft they drive. The rattle of the coal-truck, the lights from fast passenger carriages, will disturb the most peaceful hamlets, instead of the watchman's voice. Chimney-stacks, tall, black and ugly, will stand where the quaintest architecture of a mediæval nation once set its seal upon landscape fit only for the fairy-tale.

A great change is coming over the land, in spite of what prophets say. The China of to-morrow will not be the China of to-day. It will be an infinitely less poetic place, but it will be a far more industrial one. The coloured dresses of its stately mandarins are passing away with the power of the "feng-shui" or astrologer. The splendour of yellow-roofed palaces will become just as much of a fable as the field of the cloth of gold. The intrigue of eunuchs, the chatter of concubines, the quaking hearts in beleaguered, walled cities, the murder at the dinner-table—all these things will have disappeared along time's stone road in the chair which is carried by coolies. Sanitary dwellings will have dispelled the subtle influences of picturesqueness and dirt. The gathering of taxes will have assumed a workable shape. The men who now think only of making sons and making cents will have relinquished their petty agricultural profits for employment in the engine-house, the sorting-room, or on the busy quay.

Railways and mines are bringing these changes to pass, not only in China, but in other parts of Asia as well. The railway is the great peace-maker of the world, though its rattle disturbs our peace of mind. In the north-west frontier province of India we observe precisely the same effect which we prophesy for coming China. Intertribal feuds

between Pathans, which only ceased for a few short weeks at seed-time and harvest, are now becoming much less common. The tower and the good rifle are no longer so necessary as they were for preserving the spark of life. A war on the Indian frontier does not disturb Parliament and Indian Civil Servants every two years in the way it used to do. No, the railway has changed all that, and such changes are bound to come.

Apart from changes incidental to railway development, a host of minor reforms must be brought about before long. Amongst others we might mention a reorganization of the military and naval forces, the institution of a respectable police force, with a proper sense of its true duties, the reform of the currency, the institution of land banks, and a host of other reforms. At present China has not undertaken any scientific farming, but as the Chinese are essentially an agricultural people, that stage will soon be reached.

As regards aid given to the farmer, it is interesting to look at results which are now being achieved in two other comparatively new countries. These countries are South Africa and Japan. The South African Union is spending more per head of European population than any other country in the world. Its aid consists of (1) the Department of Agriculture, (2) the Land Bank, and (3) the

Land Settlement Act of 1912. The Union Department covers practically the whole field of rural activity, and assists the settler by its advice to make the most of his land, whilst the bank lends money to the farmer in grants from £50 to £2,000.

In Japan we see not only the co-operative credit societies, which are formed under a law passed in 1900, but also the Mortgage Bank of Japan and the so-called agricultural and industrial banks. Of these banks the former carries on business all over the country, and the loans which it makes are usually large. The latter confine their operations to a simple prefecture and make loans of small amount.

The Mortgage Bank of Japan was founded in 1896, and began operations the following year, with a capital of 10,000,000 yen, of which 2,500,000 yen was paid up. The bank is empowered to make loans on the security of real property, or, in the case of municipal bodies and certain classes of society, without security. The agricultural and industrial banks were created under a law passed in 1896. There are now forty-six such banks in Japan, each with a capital of 300,000 yen or upwards. They make loans principally on the security of real property, but they also lend money without security to municipal bodies and societies, and on personal credit

to groups of twenty or more persons with joint liability.

To aid in financing the agricultural and industrial banks, the sum of 10,000,000 yen was appropriated by the Government for distribution amongst the prefectures. Had this been done by the Chinese Government, there is little doubt that the first official to touch the money would have obtained more benefit from it than all the farmers in China put together. In other words, he would have pocketed it.

Official peculation has gone to such lengths in China that the Government is utterly destitute of credit with the common people. For this reason it has been found impossible to float a patriotic or internal loan. They have no belief in their officials' honesty, and consequently they are never prepared to lend. And yet credit is most necessary to the Chinese Government at the present time, for without credit it is almost impossible to embark upon any big undertakings. A great part of American and German prosperity is entirely due to credit.

In England the power of credit is exhibited in myriads of little ways. Take the £5 note, for instance—its value entirely depends upon belief in its exchangeable value, not in its intrinsic value. Every person who accepts it believes that five golden sovereigns are waiting

to be exchanged for it at the bank. Yet if the people's belief were shaken through being swindled by Government or by the Bank of England, the whole fabric of British credit would go by the board. China's financial power is weak, because she has no borrowing-power in her own broad territories, and consequently she is dependent upon foreigners from without to supply her with ready money.

Another of China's difficulties at the present juncture is due to her politicians being unaccustomed to the rôle of ruling. They have gobbled up the theory of party government without digesting it, and they have not, apparently, seen that when a nation is recovering from revolution, united, not disunited, action is required to put things straight. Party government may have its uses, but in times of crisis parties have to make a united front.

In the Chinese Parliament, however, not only has there been no united front, but there have been countless little parties, all more or less at loggerheads with one another, and all more or less difficult for the President to handle. In consequence, we have seen no less than four Cabinet changes within the first twenty months of the Chinese Republic's life. The latest is that under Hsiung Hsi Ling. He himself is able enough, but most of his followers are either southern-born or

men who have been educated under southern influences. Is it reasonable to expect that their retention of office will be for any long period ?

It would be interesting to know what were the feelings, what were the thoughts, of the six hundred and eighty-two delegates who met together on April 8th, 1913, in the Chung Yi Yuan at Peking to celebrate the opening of China's first Parliament. That year was, for China, what 1295 was for the British people.

True, there were no barons nor prelates, but there were Chinese citizens from the city, and burgesses from the Chinese borough. The President himself was not present, but the outward form of Parliamentary respectability was. Though these Chinese M.P.'s were so far from having even the first instincts of self-government, they did not forget to wear frock-coats, top-hats, and badly-cut trousers. That there were clever brains amongst them cannot be denied, but there was also something incongruous and almost Gilbertian about the whole inaugural affair.

That incongruous and Gilbertian something has clung religiously to all their Parliamentary proceedings ever since. About everything they do the whiff of the comic opera is strong. When Hsiung Hsi Ling rises to make a speech, we almost expect to hear him say of

Sir John Jordan or of Mr. Hillier, "I have got him on the list. I am sure he won't be missed." But, unfortunately, many a prominent Chinese man has found little that was comic and a great deal of stern reality in being placed on the Chinese Government's proscribed list.

It is, however, pleasant to record that progress is being made in certain important directions. For some of this progress foreigners are responsible, and some of our British ladies deserve high praise. Mrs. Archibald Little and others of her sex are doing good work in helping to give the Chinese girl a chance of education oversea. These ladies are real friends to Young China. They recognize that a Chinese family, however progressive its instincts may be, cannot have much opportunity of selecting good European schools or of looking after its daughters during holidays in England. Accordingly, Mrs. Archibald Little and her friends have saddled themselves with the task of attending to these matters.

In addition to this, certain big engineering firms in Britain are preparing to give Chinese youths a technical training in their workshops. They have realized that a young engineer who returns to China after receiving his training in England is more likely to turn to the country and to the firm which schooled

him when he has to order material and machinery from abroad.

We are almost tempted to wonder whether this little beginning in Anglo-Chinese co-operation is not capable of great extension. Would it not be possible to form a society to be called "The Friends of China" to give Chinese youths a commercial education in England as well? This would enable China to do without the middleman, and it would bring British manufacturers into closer touch with respectable Chinese firms. The writer of this book would gladly assist to start such a society, but a move must first be made by our manufacturing princes themselves.

In England, society is divided into three classes—those who change their dress for dinner, those who do not, and those who get no dinner. In China there are four classes—merchants, farmers, officials, and robbers. Each of these classes pursues the same quarry, for each of these classes is engaged in the same occupation—namely, the acquirement of wealth. But they seek this desired wealth in different ways. They also make war upon one another in different ways.

At Peking we find not only men of the new school seeking for government appointments and struggling for power, but expectant Tao-tais and relics of old Chinese mandarinism may also be seen trying to come back in

order that they may draw handsome salaries for leading an idle life.

Unlike England and America, China has never been officialled by men who are engaged in industry. On the contrary, Chinese officials have been just officials and nothing more. Consequently, they have been a parasite class, living apart from the interests of their country, and from the betterment of their own characters. They may, perhaps, know that China can never become great and strong until her exports exceed her imports, but if they know this fact, it is only through academic learning, not through life-interests which lie in the trouser-pocket.

In England and America many of the great officers of State are also the captains of industry. These men feel the effects of a strike or an agitation, because their private interests are concerned therewith. They enter public life in order that they may further those interests, no doubt, but they can never become idle parasites, because the industry upon which their bread and butter depends forbids laziness.

In China, unfortunately, things are very different. Of course, Chinese industry is only just crawling out of the revolutionary chrysalis, and in fifty years' time this state of affairs will have greatly altered, but at present the need of industrial interests in official life is more than a little marked.

It is reported that the Premier, Hsiung Hsi Ling, is doing his best to abolish sinecures and other over-paid offices in his Finance Department. Whether he will succeed or not in this reform remains to be seen. It is easier to formulate schemes of this sort in China than to carry them out, because China's wheels are still clogged by a conservative rust of over four thousand years. But all these beginnings are a move in the right direction, and every one of them brings the daybreak of China's industrial future a little bit nearer to pass.

All is still night in the land, but a few faint streaks of the coming morn may be seen on the eastern horizon. One by one the rosy shafts of enlightenment will gradually shoot up to the skies. The gentle breath of an educational wind can already be felt as it rustles over the corn-lands of secluded Chinese provinces. The ancestral spirits of the village graveyard are beginning to feel uneasy. With to-morrow's dawn they will have to make way for the factory, for the loom, and the railway-track. The mists of war and revolution which now hang heavy over the landscape will soon begin to raise their gloomy shrouds as sunshine supervenes. The soul of the nation is coming to life. China's awakening is nearly at hand. It will not be a military awakening of the kind " yellow-peril " writers

have foreshadowed in worthless old-fashioned books. Neither will naval power find a place in this coming day.

It will be a commercial and industrial sunrise which is going to regenerate the Chinese man and invigorate the Chinese national soul. There used to be an old prophecy in China that as the Ming Dynasty came to an end when the temples were restored, so the Ch'ing Dynasty would come to an end when the roads were put in order. If, by roads, the old seers meant railroads, then there is more truth in the prophecy than at first sight appears. The Ch'ing Dynasty did fall as Dr. Sun Yat Sen came to preach his railway gospel to the Chinese people. Dr. Sun Yat Sen did preach that gospel in every part of China, and a great interest in railway enterprise has been the direct result. Upon that enterprise Chinese industrialism directly depends, and as such big strides have already been made, we may be sure that the break of China's rosy industrial day cannot be far off.

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